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ABSTRACT

Two fundamental purposes of this guide are to aid school officials in the development of district budgets and to suggest ways and means of interpreting a budget to the public. This edition is in response to the changes in budgeting procedures, alterations and additions to state statutes, and modifications in the state school support formula that needed to be noted and incorporated in a revised edition. The guide is arranged in two sections. The first section, on the budgeting cycle, contains chapters on the budget document and its preparation, presentation, administration, and evaluation. The second section concerns concepts, provisions, and policies of budgeting. Topics covered are general state aid, program budgeting, pro-rating expenditures and indirect costs, the budgeting calendar, and suggested school board policies related to budgeting and financial operations. Additional information contained in the appendixes includes a bibliography, statutory provisions on budgeting, various illustrations, and a glossary. (Author/MLF)

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WISCONSIN ASSOCIATION OF SCHOOL BOARDS

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THE SCHOOL BUDGETING CYCLE:
A Continuing Process

A Guide For School Board Members

WISCONSIN ASSOCIATION OF SCHOOL BOARDS
WINNECONNE, WISCONSIN

SECOND EDITION

LLOYD E. FROHREICH
University of Wisconsin-Madison

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FOREWORD

Very little attention was given to budgeting or the development of budgets at any level of government before the 1900's. The concept of budgeting developed in local governments first and was perceived as a means of obtaining a reduction in expenditures, both through the elimination of graft and through greater governmental efficiency. Budgeting at the federal level resulted from the Budgeting and Accounting Act of 1921. Budgeting public funds was a fairly common practice in most municipalities by 1925. Local school district budgeting developed gradually and even in the 1930's very few had what might be considered sound budgets or budgeting practices.

The transition from earlier budgeting practices to present-day procedures has been slow in school districts. Heretofore, school officials and the public frequently were concerned only with line-item expenditures, and these were determined on the basis of amounts spent during the previous school year. Salary schedules virtually were nonexistent in the first half of this century, as superintendents and school boards negotiated contracts on an individual basis. Communication with the public relative to school matters and budgeting took the form of verbal, social-based explanations with little or no written documentation or published reports.

This state of affairs ceased in the 1950's and 1960's with demands from the public for better reporting methods, more knowledge about educational programs and their effectiveness and demands for a better accounting of where and why tax dollars were being spent. Expanding enrollments, the knowledge explosion, rising educational expenditures, increased educational services and programs, and an inadequate and shrinking property tax base, all have resulted in discarding or changing many traditional budgeting practices. Concepts and practices such as zero-base budgeting, cost effectiveness, cost benefit, cost accounting, and program budgeting rapidly are becoming the methods and systems utilized by school officials in preparing, presenting, administering, and evaluating school budgets.

The first edition of this publication resulted from an awareness that Wisconsin school boards and administrators needed more adequate school budgets, more knowledge of their role and responsibility in matters related to budgeting and finance and more uniform practices among school districts in the budgeting process. The delegate assembly of the 1964 Wisconsin Association of School Boards passed a resolution which provided for a committee to study current finance and budget practices in Wisconsin and instituted the preparation of a handbook and

guide for Wisconsin school board members. Several organizations and groups were involved in the preparation of the first edition. These were: (1) Wisconsin Association of School Boards, (2) State Department of Public Instruction, (3) Wisconsin Association of School District Administrators, and (4) University of Wisconsin, Department of Educational Administration. Ronald R. Eastman was selected as the project director and was the principal author of the first edition.

The second edition of *The School Budgeting Cycle* resulted from an awareness that the on-going changes in budgeting procedures, alterations and additions to State Statutes and modifications in the State school support formula needed to be noted and incorporated in a revised edition. The impetus for the revised edition came from the Executive Secretary of the Wisconsin Association of School Boards (WASB) and the WASB Board of Directors. The WASB Board of Directors asked the Cooperative Educational Research and Services (CERS) division of the Department of Educational Administration, University of Wisconsin-Madison, if it would undertake the preparation of a revised edition of the school budget guide. Subsequently, CERS agreed to perform this service for WASB and responsibility for directing the project and writing the second edition was assumed by Professor Lloyd E. Frohreich of the University of Wisconsin-Madison.

Special appreciation is extended to those who contributed valuable assistance to this edition. Recognition of their guidance, critiques and technical assistance is due the following people:

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PURPOSE

Two fundamental purposes of this guide are to aid school officials in the development of district budgets and to suggest ways and means of interpreting a budget to the public. Through an understanding of budget development techniques, particularly those established and new techniques that hold promise for the future, it is hoped that this guide will serve school board members and others in their incumbent responsibility to develop budgets that adequately reflect the needs, programs and fiscal capacities of their school districts.

Even though considerable time and energy is utilized by school officials on the budgeting process, it is recognized generally that budgeting still is one of the least understood areas by school officials and the public. As board members and school administrators constantly are queried by their constituents about budget matters, it makes the need for understanding paramount.

The school budgeting process requires the highest type of school board and administrative leadership. While budgeting is one of the most difficult as well as one of the most important tasks the school board, superintendent and school staff must perform, it need not be a perplexing process if it is understood and accompanied by appropriate planning. The sifting and winnowing that occurs after a recognition of educational needs until the final product—an approved budget—can test the sagacity of the most proficient administrators and school board members.

The school budgeting process may well be the most important function school officials execute, as it is through the budget and resultant funding that the goals of education in the community are realized. Although the budget is only a vehicle used to channel resources to programs and to people who actually implement the goals of the community, the budget provides direction and is a reflection of the community's priorities in terms of where it places its revenue resources. The superintendent and school board must understand thoroughly the financial and economic conditions, sources of income, educational needs of children and the desired educational outcomes of the school district in order to prepare an adequate school budget.

Budgets should never be based on guesses or assumptions. School officials should be aware of what the community desires in its schools. When the evidence is inadequate, school board members hardly can represent the community by making decisions on budget priorities. What the community wants must be tempered with other evidence on educational needs and financial resources. Nonetheless, the budgeting

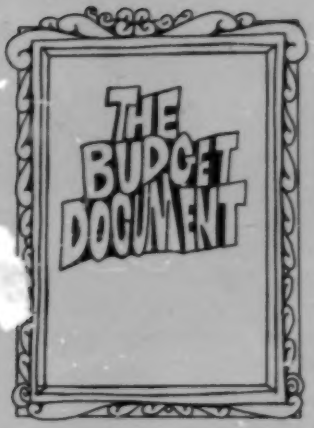
process requires as much relevant data and information with which to make decisions as can reasonably be gathered and made available. Without an adequate data and information base, school officials must rely on personal perceptions and assumptions, which are not the most adequate bases upon which to make decisions that affect so many people.

This monograph then, is both a guide to action and a charge to school officials to weigh carefully each decision made during the budgeting process. Budget decisions affect many school employes and children and never should be made arbitrarily or without considerable deliberation on the relevant information and data.

Section I

THE BUDGETING CYCLE

Chapter I: The Budget Document
Chapter II: Preparation
Chapter III: Presentation
Chapter IV: Administration
Chapter V: Evaluation



Chapter I

BUDGET DOCUMENT

Definitions
Contents of the Budget
Classification of Budgets

Chapter I
THE BUDGET DOCUMENT

There is little difference in the common usage of the terms "budget" and "budget document." The budget is contained in the budget document which is simply a recorded plan of expenditures and revenues and supporting data for a school district's educational program, normally covering a one-year period of time.

The budget, however, is perceived differently, depending on the roles and responsibilities of those affected by the budget. The State Department of Public Instruction is interested from the perspective of an agency that must carry out the statutory provisions and state policies that affect a district's operation, its budgeting practices and the state support it receives. A school board must be assured the budget is a plan for those dollars collected and expended that reflects the educational priorities of the community. A district's central administration is interested in the budget from the perspective of those responsible for carrying out the mandates delineated in the budget: accounting for funds to the school board, the public and the state; and, the internal distribution of dollars to buildings, agencies, departments and approved programs. A teaching and supervisory staff, on the other hand, may have a narrower interest in the budget; i.e., the budget's effects on salaries and supplies and equipment which, in turn, impinge on teaching or supervisory responsibilities. The citizens of the community, however, should have the most genuine interest in the budget, because it is for their children and through their investment that schools exist. Through the public's contribution of taxes, a school district functions and performs those services it is assigned; therefore, the citizenry has a legitimate concern for all aspects of a district's operations as mirrored in the budget.

Because of the varied interests of those affected by the budget, it often must serve as a comprehensive document that accommodates the needs of many interest groups and publics. Administrators and school board members who have been in the budgeting arena attempting to generate an adequate and acceptable budget know this is a challenging responsibility. An examination of those budgets and budget documents approved ten years ago compared with those budgets approved today should convince the most dubious that changes and new demands have surfaced in recent years.

Definitions

For purposes of this discussion, the terms budgeting and budgeting process may be considered synonymous. Both refer to those activities

associated with preparing, presenting, administering and evaluating the budget. Inherent in these terms is the idea that budgeting is a continuous process that involves purposeful activities each month of the year.

The following definitions of the budget portray a representative compilation of descriptions found in the literature.

> "A statement of the financial position of a sovereign body for a definite period of time based on estimates of expenditures during the period and proposals for financing them."[1]
>
> "...an instrument for planning so that the educational program will not be interrupted or restricted because of insufficient funds or depleted accounts." "...it is an instrument used to control the authority of the executive branch and to assure that the ultimate authority continues to reside with the people or their chosen representatives." "...a planned pattern of expenditures to achieve the educational goals over a specific period of time."[2]
>
> "The budget document is the instrument used to present to an authorizing body a comprehensive financial plan based on a known educational program for a given period of time. At the time of its presentation to the school board by the superintendent, it is looked upon as a plan of attack. When adopted by the board of education and supported by the appropriations necessary to activate it, the budget becomes the ruler of the financial acts that follow. At this point it becomes an instrument of financial control over the future expenditure acts necessary to fulfill the educational objectives."[3]

DeYoung likened the budget to an equilateral triangle where the base represents the educational program—the working plan of the school; one side of the triangle represents the spending plan—the estimates of expenditures necessary to carry out the educational program; and the other side symbolizes the anticipated receipts for the fiscal period of the school district budget.[4] More recent illustrations have pictured the budgetary process as resources flowing into the educational program to obtain educational output or results. This interpretation is depicted with

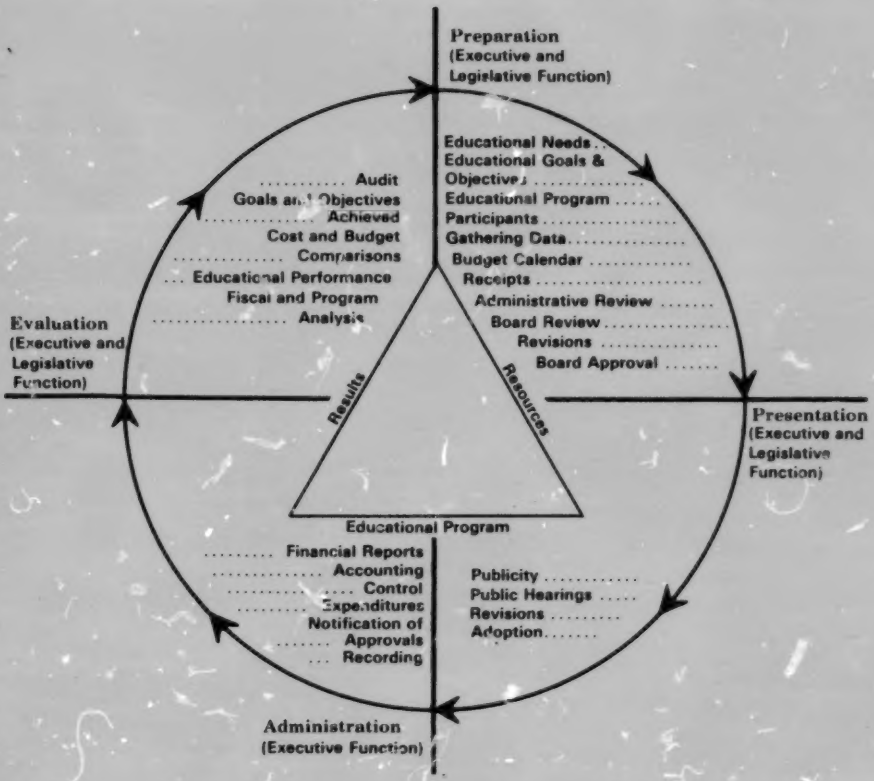
[1] *Webster's Seventh New Collegiate Dictionary* (Springfield, Mass.: G. & C. Merriam Co., 1961) p. 109.

[2] K. Forbis Jordan, *School Business Administration* (New York: The Ronald Press, 1969) pp. 109-110.

[3] Stephen J. Knezevich and John G. Fowlkes, *Business Management of Local Systems* (New York: Harper & Brothers, 1960) p. 20.

[4] Chris A. DeYoung, *Budgeting in Public Schools* (Garden City, New York: Doubleday, Dorn and Company, 1936) p. 7.

THE SCHOOL BUDGETING CYCLE: A CONTINUING PROCESS



the educational program represented as the base of the triangle and resources and results represented by the two sides (shown on the model in this chapter).

While the definitions of budgets and budgeting vary, all seem to agree that it is *a systematized statement which relates the educational program to the expenditures and receipts anticipated in a fiscal period and supported by data and information reflecting the educational needs, philosophy and goals of a school district.* The budget and budgetary process, then, are not without purpose. A school district nowadays would be hard pressed to function without one, particularly since consolidation and increased enrollments have made the school district the largest employer and the largest institution in many communities of the state in terms of assets and payroll.

Contents of the Budget

The budget affects many people and each sub-public would like to see its interests reflected in the budget. For that reason, budget documents have tended to grow in recent years both in physical volume and amount of information. There is a strong relationship (correlation) between the size of the school district as indicated by average daily membership (ADM) and the amount of data and information contained in the budget document. Larger school districts tend to have more programs, more revenue and expenditure accounts and more people affected by the budget than smaller school districts, so one would expect their documents to be much more impressive physically. It is not necessarily true that a larger district's budget document will be more comprehensive than a smaller district's budget, for both should contain certain essential ingredients.

Because school districts differ, their budgets will differ. Because school district goals and objectives differ, their budgets will differ. For example, a school district that is growing and expanding in enrollment will be concerned with future site purchases and building programs, while the school district whose geographic area is saturated with housing and businesses will be concerned with maintaining present buildings or replacing existing facilities. A school district from which 75 percent of its graduates matriculate to the labor market upon graduation will have a different set of educational goals and program priorities than the district from which only 25 percent of its graduates enter the world of employment.

For these reasons the following budget contents should be considered in light of the school district's uniqueness as a producer of education. The

emphasis on each of the following budget components also will vary among districts.

1. General goals and underlying philosophy of the school district.
2. School district educational program priorities for the ensuing year.
3. Estimated expenditures by summary and amount for the ensuing year.
4. Estimated revenues by source and amount for the ensuing year.
5. Anticipated and/or actual expenditures by summary and amount for the current year and the previous year.
6. Anticipated and/or actual revenues by source and amount for the current year and the previous year.
7. An explanation of the differences between anticipated revenues and expenditures and actual revenues and expenditures.
8. Dollar and percentage increases or decreases in revenue and expenditure categories between the ensuing year's budget and the current year's, last year's or a previous year's budget.
9. An exception report and explanation of any substantial changes in the budget which the district wishes to point to as a reflection of a change in policy or a new policy.

The above list is not exhaustive as districts may include other components which are critical to their unique situations. The reader's attention is directed to Appendix H where a more complete list of potential budget content items is presented.

Classification of Budgets

There are many ways of classifying budgets but only one common method is reflected in the budget document. There is an obvious difference between a budget that shows estimated revenues and expenditures for an ensuing year and a budget that reflects estimated revenues and expenditures for more than one year ahead; i.e., a projected revenue and expenditure plan for 2, 3 or 5 years ahead. The former typically is called an "annual" or "short-term" budget whereas the latter is referred to as a "long-term" or "planning budget."

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The planning budget is often found in school districts where there is considerable growth anticipated and sizeable land area undeveloped within its boundaries. This does not imply that districts at the point of saturation should not plan ahead. On the contrary, all districts should take into consideration past and projected enrollments, maintenance schedules, remodeling schedules and the debt retirement schedule as they look to the future. Research has shown, however, that with the exception of future building and site purchase plans, long-term budgets historically have not been very accurate. The rapid expansion and changes in education over the past twenty years have made budgeting on a multi-year basis less than reliable. Perhaps with the present stabilization of birth rates and enrollments, school districts will be able to augment the attention given to educational programs and the associated costs and sources of support.

Another distinction between single and multi-year budgets is found in the manner of approval. Approval of the tax for the ensuing year is given by those electors attending the annual meeting, by a city council, by a joint fiscal control group or by the school board, depending on the appropriate laws affecting each district's operation. Approval of a long-term budget is not officially required of an approving body since it is normally a recommended plan by school officials, and, as such, is subject to change However, if the long-term budget involves large equipment purchases, site purchases or the long-term financing of buildings, approval eventually must be given, but the legal procedure for approval varies from one type of district to another.

The contents of the budget document will reflect the school district's policy on developing the budget. The approaches to budgeting in each school district will vary depending on several factors. The following classification system represents one means of determining where a school district wishes to place its emphasis during the budgeting process.

Approaches to Budgeting

1. Contents of the budgeting document.
   a. The *mechanical approach* is simplistic and looks upon budget content as including revenue and expenditure accounts. Only the basic account summaries would be represented in the budget under the mechanical approach.
   b. The *comparative approach* goes a step beyond the mechanical approach and perceives the budget document as a presentation of comparative data among categories of revenue and expenditure or between one year and another for given categories. Budget content

decisions are based on the increment of increase or the percentage increase from one point in time to another.

c. The *program approach* is synonymous with program budgeting and in certain respects to planning, programming and budgeting systems. Each group of related educational goals or objectives is perceived as a program. Each program is presented in terms of its objectives, the goals to be achieved, alternative means of reaching those goals, the price of the alternatives and the total cost of each program.

d. The *functional approach* has its roots in the school district's philosophy and goals. The analysis and its revelation in the budget document is based on the assumption that one starts with the goals of the school district and expenditures are made on the basis of changes in or additions to the basic goals of the district. Any substantial change beyond the normal incremental changes in expenditure or revenue plans from one year to the next would be based on a change in, or an addition to, the school district's goals and policies.

2. Amount of time taken to plan and prepare the budget for public approval.

   a. On a *short term basis*, the budget is planned and prepared in a one or two-month period immediately prior to public presentation and approval. *(Note: This does not imply this handbook advocates a short budget preparation period. Still, many school districts continue to rely too heavily on preparing their budgets in the time period immediately prior to public presentation.)*

   b. On a *continuous basis*, the budget is developed by setting a calendar sequence of preparation deadlines. Each person or group of persons responsible for making budget recommendations is given a target completion date by which he must make and present budget decisions to a designated individual or group. *(Note: As budget development on a continuous basis is a concept to which this handbook is dedicated, this approach is preferable to the short-term basis.)*

3. By participation in the budget building process.

   a. *Centralized development* of the budget is perceived as a responsibility that rests entirely with the school board and the central office staff. Little or nothing is asked in the way of input from principals, teachers, students or citizens. *(Note: Again, this handbook does not advocate this approach, but it must be recognized.*

that centralized budget development still is used by many school districts.)

b. *Participatory development* of the budget is perceived as a means of involving all those affected by the budget, i.e., teachers, citizens, principals, classified personnel and students. The degree of participation will vary among school districts, but the idea is to secure input to the budget from those most closely associated with the expenditure of its funds and the source of its revenues.

4. By control over expenditures after the budget has been approved.

   a. *Centralized budget control* pertains to the regulation of expenditures and the allocation of dollars to schools and departments on the basis of a fixed unit cost. Little or no variation between buildings in expenditure per pupil for books, equipment or supplies is allowed. The controlling factor, then, is a dollar amount per unit or per pupil as defined by the central office, with little or no input from the units to which budget dollars are allocated.

   b. *Decentralized budget control* distributes accountability for certain expenditures among its schools or units of administration. The *unit budgetary procedure*, as it is sometimes referred to, allows building principals and/or department heads to make a case for program expenditures on the basis of need, cost variations or other conditions. After the budget is approved, the dollar amounts for instructional supplies, books, operational and maintenance supplies, and equipment (for example) are under the expenditure control of the principal and/or department head and they are accountable for how the funds are used. This method allows for greater debate among the participants in the budgetary process and also results in greater intra-district competition for dollars.

The preceding classification system touches those aspects of the budgetary process that will be discussed in the chapters to follow. The budgetary procedures delineated within the context of the budgetary approaches (content, time, participation and control) may be conceived as a continuum, proceeding from the least recommended procedures to the most desirable procedures. The reader can begin to determine what his/her school district policies are with respect to each of these budgetary procedures and, ultimately, what the policies should be.

FOR FURTHER READING

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Chapter II

PREPARATION

Budget Calendars
Participation
Educational Program
Planning and Projecting Budget Needs
Budget Accounts
Receipts
Operating Balance

Chapter II
PREPARATION

While sections 120.11(3) and 120.49(4) of the Wisconsin Statutes make it the responsibility of the board of education to prepare a budget, the board should delegate, to the chief school administrator and his staff, the role of preparing the budget document since the school district staff has more time and generally is more knowledgeable about the needs and problems of the schools than board members. A school board member or members may be involved in the deliberations to prepare the budget, but the data and information gathering procedure generally is a responsibility of the district's administrative staff. After the school district staff has done its work, the board must be in a position to defend the budget document. It is incumbent, therefore, that the school board be kept informed while the budget document is being prepared so that it might evaluate, advise, change and approve the tentative or working budget.

The superintendent should recognize that once the budget is approved it becomes the controlling document with which the school district must operate for one year. The approved document affects the entire school district staff, and therefore, should be a budget which has the approval of those who must work with it. To achieve consensus and a more harmonious working relationship between administrators and staff, the preparation of the budget requires the participation and cooperation of all persons affected by it — classroom teachers, principals, custodians, maintenance staff, citizens, etc. Too often administrators have failed to utilize the competencies and ideas of all employes, which has sometimes turned those who should be advocates of a school district budget into antagonists. A general rule administrators should follow is to involve those persons in the preparation of budget areas in which the appropriations directly affect their responsibilities.

Budget Calendars

The initial and essential step school officials should take in the preparation of a budget is a deliberate plan and procedure for the evolution of the budget document. A sequential calendar of events, which designates the time frame for analysis and reporting budget requests for subsequent review by the administration and the school board, will result in more accurate budgets. The administration should insure that the budget calendar is observed faithfully to avoid pressures and inaccuracies that result from missed deadlines and revisions.

Budget calendars should include the dates which school departments, units, buildings, organizational levels, etc., are to have prepared their

estimated needs for the ensuing school year. The budget calendar also should include the date which the administration is to have its budget ready for school board review, the date the school board is to have the budget ready for public hearings, the date(s) of public hearings, the date of final budget approval and the date for certifying a tax levy to municipal clerks.

Associated with specifying dates for reporting budget requests, the appropriate request forms should be developed which provide directions for completion, provisions for indicating number and items requested, a description of the item(s), unit and total costs, justification for the request and, if requested, a priority ranking of items needed. To save the time of staff members, it is a good practice to indicate on budget request documents the current appropriations and expenditures for that area for which a person or persons are asked to complete the request form. Many school districts also provide each staff member with a general review of the current budget, projected enrollments, long-range plans, anticipated staff changes and other information which may be helpful to the staff in developing their portion of the budget. An illustration of how a budget calendar might be organized is shown in Appendix C.

Participation

The next essential step in the preparation of the budget should be a plan and a determination of those who will be involved in the preparation sequence. The participation of school district personnel and citizens in the formulation of the budget cannot be emphasized too strongly. Awareness of school district needs can hardly be determined accurately without seeking the counsel of those closely associated with the educational program and district services. Through a scheduled participatory arrangement, teachers, administrators, students, custodians, maintenance employes and citizens of the community should have an opportunity, either individually or through representation, to make their needs and ideas known to school officials. Appropriate budget development and reporting documents will need to be generated to implement a participation plan.

The board of education should expect the professional staff to analyze each budget item in order that an adequate, satisfactory explanation can be made of both expenditures and receipts. Staff members need to present enough detail regarding a budget request in order that intelligent decisions can be made by the administration and the school board. Many school officials ask participants in the budgeting process to present their budget requests and program requests on a priority basis. A rank order of

requests allows the administration and the school board to make budget increases or decreases on the basis of a needs analysis done by those staff members working with a specific educational program. School board members, by virture of their incumbent and delegated legal powers, have final authority for determining the budget requests which receive approval.

Educational Program

The purpose for which school districts exist is to educate children and to provide an educational program that reflects the educational philosophy, goals and needs of the people the district and state serve. The educational program should be the central focus of the preparation phase. The educational goals and needs of the school district must be determined and analyzed with the cooperation of the public, students, educators, administrators and board members. When the public and school district personnel are involved in this process, they are more knowlegeable of the educational program upon which expenditures and appropriations are based; therefore, it is much easier for school boards to defend and secure approval of the budget.

It may be well to begin the budget preparation process by organizing citizen committees to study various aspects of the educational program. The pulse of the community can be determined regarding the kind of educational program citizens desire for their children. The educational program is the foundation upon which a determination is made of expenditure and revenue needs.

Too often, the tax levy is the starting point in building the budget, which, in essence, does not finance the predetermined educational program but instead predetermines the amount to be spent on the educational program. Budgets should not be determined by multiplying the property valuation by a predetermined tax rate to arrive at the amount to be spent on the educational program. School districts cannot provide adequate educational programs by first prescribing the amount of revenue available and then attempting to adjust educational program needs within the constraints of the dollars available. This is not to say school districts should ignore revenue availability, tax measures and local tax burden. These factors are considered in the budgeting process, but available revenue should not be the first and primary consideration. School districts first should determine their educational needs and programs and then integrate program needs with revenue needs before making a final decision on either.

The board, with the superintendent and district staff, provides the organizational and technical planning needed to develop a budget that

reflects the desired educational program related to the available financial resources. The budgeting process, including a determination of educational needs and the resultant program combined with a financial plan to support the program, is a cooperative venture, and the planning to set the process in motion should reflect a cooperative framework of action.

The public often is unaware of what it is receiving for its tax dollars. In an era of tight budgets, limited resources and competition for tax dollars, it is a good policy to include in the budget document a list and explanation of the educational programs provided by the district. In this manner the public may secure a better understanding of the comprehensiveness of educational services which the schools are providing children and which a modern society demands of its educational institutions.

A school district which has generated a written document explicating its educational philosophy and goals might also provide in the budget document a list of those goals and policies which affect the educational program and the associated revenues needed to support the program. It is much easier for a school board to defend an established goal or policy than it is to defend a specific dollar increase or decrease for the educational program. School board policies which attest to the long range needs of the district may also be incorporated in the budget. An explanation of long range plans (2-5 years) based on established policies will have the effect of informing the public of predicted requests before they are surprised in a subsequent budget year. Planning for future programs and including an explanation of those plans in the current budget document may increase the credibility of public school officials. If the public perceives the school board as honest public servants who are thinking about and planning for the future of their children, the image of the school board can be enhanced greatly.

A systems approach relating educational programs to educational objectives, alternatives for reaching objectives and the costs and benefits associated with educational programs and benefits has surfaced in recent years. The systems approach to budgeting has been termed Program Budgeting, Planning Programming Budgeting Systems (PPBS) or Educational Resources Management System (ERMS) by various proponents of a particular systems approach. In actuality, each of these approaches is a total systems analysis process of which the development of the budget is a part. Chapter 8 of this handbook is devoted to a discussion of the most accepted of these new approaches—PPBS.

Planning and Projecting Budget Needs

The school board and the administration should attempt to gather the

most significant data and evidence with which to make decisions on the budget. The budget constitutes the school district's best estimate of its expenditure needs for at least one year. Actual expenditures will not be known until the end of the budget year. Gathering the best evidence implies computation and knowledge of types of students served and pupil enrollments, educational program needs, salary needs, existing inventories, debt retirement schedules, faculty needs, custodial operations and building maintenance schedules. The previous discussion centered on the educational program, the most important and central purpose for which school districts exist. Following is a discussion of the other components needed to make reliable budget estimates.

Types of Students Served and Enrollment

Student needs and student enrollment are likely the closest need measures school districts have to estimate an annual budget. These are not the only need measures, but anticipated enrollment and the kinds of students served are the bases for providing educational programs and classrooms, i.e., other need measures revolve around these estimates. Projecting enrollments is an ongoing activity of school districts and was particularly critical in recent years when school enrollments increased rapidly. School districts are required by statute to take a census of children between the ages of 4 and 20 (120.18), and provide membership data to the Department of Public Instruction in the Fall Report (121.05). These data are important as indicators of trends in enrollment projections.[1] In this period of stabilizing birthrates, projecting enrollments is no less critical, but the error variance likely will be less, thus allowing districts to make more accurate projections.

Computer programs are now available which make the task of projecting enrollments much less difficult for school administrators. Depending on the particular computer program a school district might use, printouts are provided which contain enrollment data projected for a one to ten year period for each building by grade level. Variables utilized by computer programs include past and present resident and nonresident enrollments, birth rates, survival ratios, dropout rates, advancement ratios, community saturation indices and in-migration and out-migration of the district population.[2] In the absence of computer programs, there are

[1] See for example Orlando F. Furno, George J. Collins and George B. Brain, "How to Make School Enrollment Projections," in *Planning, Programming, Budgeting Systems: A Practical Approach*. (Copyright by the authors, 1972) pp. 230-248.

[2] Donald N. McIsaac, Dennis W. Spuck and Lyle Hunter, *"Enrollment Projections: ENROLV 2"* (Madison, Wis.: Department of Educational Administration, University of Wisconsin-Madison, 1972) (mimeographed).

several established procedures for projecting enrollments which are available in recognized texts on educational administration. These computational procedures are not difficult and school districts should use them each year in making reliable enrollment projections. Reporting grade level enrollments will help both the community and the school staff as they plan the educational program and budget needs.

The types of children the school district serves is no less important than the number served. Students who have unique problems and educational needs will require a different set of program offerings than those in a regular program. Districts which have a disproportionate number of students who are disadvantaged, handicapped, deprived or who require extensive vocational training will find the costs for educating these students much higher than the costs for providing regular educational programs. The school district must be able to determine the number of students who need special programs and atypical curricula. Their number and the resultant programs will need special budget attention, resource configurations and cost estimates.[3]

Salaries

The advent of negotiations in the 1960's has brought the question of salaries and fringe benefits directly to the forefront in budgeting deliberations. Often, the negotiations process is not parallel in a time frame to the budgetary process. The amount appropriated for salaries and fringe benefits in the budget may have to be an estimate, since negotiations may not be concluded prior to budget approval. It is most difficult to make estimates for salary accounts when all of the data and information are not available. Nevertheless, it is best to proceed with estimates of the most likely salary schedule agreements and use these estimates for salary accounts.[4] As salaries and wages constitute 75 to 85 percent of the budget, projections of the most likely salary schedule agreement do not have to deviate substantially to make a considerable difference in the total budget. School boards, administrators and teachers should make every effort to conclude the negotiations process prior to the

[3] See Roe L. Johns and Kern Alexander, "Measuring Educational Needs and Costs," in *Alternative Programs for Financing Education.* Gainesville, Fla.: National Educational Finance Project, 1971, pp. 133-171; and, Richard A. Rossmiller and Thomas H. Moran, "Cost Differentials and Cost Indices: The Assessment of Variations in Educational Program Costs," in *School Finance in Transition* (Gainesville, Fla.: National Educational Finance Project, 1973) pp. 55-62.

[4] Dennis W. Spuck, et.al., "Unified Salary Schedule Analysis Program," *WISE*LIB.SALV 4* (Madison, Wis.: Department of Educational Administration, University of Wisconsin-Madison, 1971).

time the budget must be approved so that reliable estimates of salary accounts can be used in building the budget.

Inventories

Acceptable managment and budgeting practices dictate that the school district knows what it has before it projects future needs. Too often school districts will budget for material and supplies (paper and art supplies are good examples) which may be partially or wholly on hand. An adequate accounting of existing supplies and equipment is essential to sound fiscal management and budgeting procedures.

Debt Retirement Schedules

School officials know the retirement schedule of outstanding debt at the point in time the money is borrowed. Whether money is borrowed on a short-term arrangement to meet expenditure-revenue gaps or borrowed on a long-term basis to finance building needs, school districts must take into consideration the repayment of loans (both principal and interest charges) when developing a yearly or long-term budget. A complete schedule of all debt payments and interest charges should be included in the budget document covering the budgeted period of time (see Appendix F).

Facility Needs

Closely allied to projected enrollments and existing long-term indebtedness is the consideration of space requirements for the educational program. Space needs hinge almost entirely on accurate enrollment projections and the nature of the educational program to be provided. Meeting space contingencies through emergency plans that require leasing facilities, mobile classrooms or make-shift arrangements generally are more expensive than planning for space needs in advance and providing new or remodeled facilities. Facility plans that take into consideration accurate enrollment projections, educational programs and district indebtedness are a must in the preparation of a school district budget. Provisions for facilities obviously have profound implications for the district's fiscal operations.

Custodial and Maintenance Operations

Essential to the provision of a healthy educational environment is adequate custodial and maintenance service for school property. There exist standard computational procedures to determine the number of custodians for a school building, but this is necessarily a determination that must be made by each local school district on the basis of its unique

needs.[5] Maintenance requirements are a function of the amount of property owned by the school district, prior maintenance and the age and condition of the property. Recent years have seen maintenance expenditures rising proportionately less than other budget accounts because they are less fixed than other budget categories and more susceptible to cuts. School officials should guard against reducing maintenance schedules for the sake of saving money. Often the practice of cutting maintenance services results in more costly repairs in the future. Adequate custodial and maintenance services are essential to the provision of a healthy environment in which pupils learn.

Cost Analyses

Unit cost analysis and cost accounting can contribute to the decision-making process in planning and projecting budget needs. With the increasing demands by the public for more information and data regarding the financial operations of school districts, there has been a trend in analyzing receipts and expenditures by relating them to some standard unit of comparison. Costs per pupil, per building, per grade, per program or per department are gaining popularity as a means of comparing costs. Revenues per household, per $1,000 of income, per capita or per pupil also are being used to compare relative tax burdens within the school district, between school districts and between states.

Cost and revenue analyses are valuable in helping to make decisions if they are understood, reported accurately and used correctly. The danger of comparing costs of programs within the district exists when it is not understood that some educational programs, by nature, are more expensive than others. Because teaching aids and equipment are an inherent part of science courses, these courses will tend to be more expensive than either English or social studies courses. Because pupil-teacher ratios must be less and special equipment must be utilized in programs for exceptional children, these programs tend to be more expensive than programs for other children. It should be remembered that teacher salaries and pupil-teacher ratios are the most deterministic variables in explaining variations and differences in unit or program costs.

Comparing costs and revenue burdens of school districts is another analysis procedure that must be experimentally sound. School districts

[5] K. Forbis Jordan, *School Business Administration* (New York: Ronald Press, 1969) pp. 213-238; and
Gary M. Andrew and Ronald E. Moir, *Information-Decision Systems in Education* (Itasca, Illinois: F. E. Peacock Publishers, Inc., 1970) pp. 116-131.

should assure that all data gathered and values included in the analysis are derived in like manner for each cost or revenue variable. To make comparisons between school districts, it is a good procedure to compare districts with like characteristics. For example, it is of little value to compare the costs and revenues of a district that is wealthy with one that is poor. Comparisons should be made among schools which have similar educational programs and are similar in size, wealth and socioeconomic status. Many education cost analysists advise against making such comparisons unless the school districts included in the comparisons are alike in most respects.

School Management magazine has for several years reported a cost of education index which includes standard per pupil costs of a sample of school districts across the country. Standard per pupil costs are reported by account summary for each geographic area of the country and by school district size. *School Management's* index of costs, published each January, is one source a school district can use to make comparisons, if district officials utilize the same methods in deriving the unit costs.[6]

Budget Accounts

The *Uniform Financial Accounting Handbook for Wisconsin School Districts*,[7] published by the State Department of Public Instruction, provides school officials with a list and explanation of the accounts required for school district budgeting and for reporting the financial activities and status of school districts to the State Superintendent of Public Instruction. Generally, it is good practice to report in the budget document details of each account of budgeted revenues and expenditures. Leaving out certain accounts or summarizing several accounts in the budget document may give the impression that the school board and administration are not reporting all of the financial activities of the district. Any indication that all of the information and data are not being provided, whether purposely or by unintentional omission, can reduce the credibility of the school board and administration.

A few school districts have gone beyond the accounts required by the State and have set up an auxiliary set of accounts which further partitions an account into a more detailed explanation of revenues and expenditures. For example, the instructional area of the budget accounts for principals' salaries, teachers' salaries, secretarial and clerical salaries,

[6] "Annual Cost of Education Index," *School Management*. (Greenwich, Conn.: Published each January by Macmillan Professional Magazines, Inc.)

[7] Wisconsin Department of Public Instruction, *Uniform Financial Accounting Handbook for Wisconsin School Districts*. (Madison, Wis.: The Department, 1974).

etc. These three accounts alone may account for 75 to 80 percent of the budget. To provide a more meaningful explanation of these accounts, school districts may partition the Teachers' Salaries Account, for example, and compute subtotals by subject matter area, building, grade levels or a combination of these. Partitioning these accounts requires that the school district keep more detailed records, but the effort may be well worth the time and cost involved.

Section 65.90 (2) of the Wisconsin Statutes provides that school district budgets shall list all indebtedness, all anticipated revenue, and all proposed appropriations for the ensuing year. Actual revenues and expenditures for the preceding year, actual revenues and expenditures for not less than the first six months of the current year, and estimated revenues and expenditures for the balance of the current year are all required by this statute to be in the budget. In addition, the budget must show all anticipated unexpended or unappropriated balances and surpluses for each fund.

Another practice which has grown among school district budgeting procedures is to show with each receipt and expenditure account the dollar increase or decrease, the percentage increase or decrease and an explanation (where substantial) of the increase or decrease. A budget presentation of this nature likely will reduce substantially the number of questions at budget hearings and annual meetings.

Receipts

To spend the funds needed to support the educational program, facilities and auxiliary services, it is necessary to collect enough revenues to balance the budget. Normally this function is a responsibility of the school board with the assistance of administrators. Estimating what the school district will receive in the way of federal, state and local revenues is a difficult but necessary part of the preparation phase. Often, however, it is not possible to know exactly what receipts will be forthcoming during a given budget year because of delayed legislative action on the state budget, belated or nonpayment of local property taxes, delayed estimates of local property valuations or federal categorical aids. The school budget, including estimated receipts, often must be acted upon before a final determination can be made of the amounts approximating actual receipts. Nonetheless, school officials must use their best judgment as to the amounts entered in the revenue accounts. A delineation of the kinds of revenues available to Wisconsin school districts will be found in Appendix E of this handbook.

Federal Revenues

Federal revenues average approximately 7 percent of total revenues received by school districts in the United States. This amount varies from one school district to another and tends to average somewhat less than 7 percent for school districts in Wisconsin. The kinds of categorical aid available from the federal government include aid from the Elementary and Secondary Education Act (ESEA), aid to impacted areas (PL 815 and 874), vocational aid (PL 90-576), school lunch aid with program reimbursements and other federal programs. Federal categorical aids generally are granted to meet a special need and few school districts can afford not to apply for these funds, particularly since children's needs may not be met in the absence of federal categorical aids.

State Revenues

Wisconsin's state aid program considers several factors in determining financial aid payments to local school districts. The Wisconsin state support plan involves considerations for the equality of educational opportunity, the local ability and effort to pay for the educational program, the quality of the educational program and the organizational pattern of the school district. In this respect the general state support plan utilizes two levels of aid: aid on the primary shared cost and aid on the secondary shared cost. A detailed explanation of the Wisconsin state support plan is found in Chapter VII of this handbook.

The basis of establishing local ability and effort to pay for the educational program is inherent in the practice of assessing property in each municipality and in the procedures used in establishing the equalized value (full value) of property in the school district. Assessment practices, state equalization procedures and methods of calculating mill rates (property tax rates) are delineated in Chapter VI of this handbook.

In addition to the general state support available to local school districts, there are special program funds accessible to local schools. These include aid for handicapped programs, transportation, libraries, driver education programs and tuition. The share each school district receives of these funds will vary according to the provisions for distributing the aid and local program variables. Average state support in the United States approximates 40 percent of all school district revenues and is slightly less in Wisconsin.

County and Local Receipts

County aid available to local school districts is comprised primarily of

handicapped aid and transportation reimbursement. Local revenues still constitute the major portion of school district revenues, averaging 53 percent in the United States and somewhat more in Wisconsin. Local property taxes are the primary source of local revenues, comprising approximatley 97 percent of all local revenues. Other sources of local receipts include public utility taxes, forest crop taxes, national forest income, mobile home fees, earnings from investments, transfers from clearing accounts, rental income, student fees and fines, tuition payments, sale of equipment and property, loans and receipts from the sale of bonds. In addition to the above, a school district must account for receipts for students who transfer in from other school districts.

Operating Balance

The preparation of the budget involves a determination of the educational program, expenditures to meet program needs and the necessary receipts to balance the budget. The one remaining factor that must be considered is the operating balance. The operating balance is the dollars placed in the budget for the purpose of meeting gaps between expenditure needs and the receipt of revenues. Operating balance dollars are not committed nor appropriated for the purpose of meeting particular expenditure needs. Wisconsin school districts normally receive their local taxes and state support payments between January and May of each calendar year. Non-city school districts, which operate on a fiscal year basis (July 1 to June 30), must operate the first six months of the fiscal year without the receipt of any substantial tax revenues. Section 121.19 of the Wisconsin Statutes provides for an advance payment of state aid in an amount not to exceed 75 percent of a school district's total state aid for the school year. School district requests for an advance payment may be made on or after July 15, if the annual report of the school district for the previous school year has been filed.

Still, common or unified school districts may receive too little state aid to cover the expenditure-revenue gaps during the first six months of the fiscal year. These cases require that one of two or a combination of actions must be followed: (1) school districts must budget the necessary dollars as an operating balance each year which will carry them through this period; (2) school districts must borrow the necessary funds on a short term basis until they receive the tax revenues and can pay off the loan; or (3) school districts can use a combination of the operating balance and short-term borrowing methods to meet expenditure-revenue gaps. Each school district's pattern of operations and philosophy of borrowing will vary in considering a solution to this problem, but generally the amount of the operating balance will depend on each school district's needs.

The practice of "padding the budget" has come under scrutiny in recent years. "Padding" is the practice of asking for more revenue than is needed to finance the educational program. Generally, all accounts or certain accounts are increased by a fixed amount or percentage not necessarily based on need, with the idea that a cut in the budget by the budget approval body will be a certainty. "Padding" is an attempt to mislead the approving body and should not be practiced, as it is certain to result in lasting suspicion on the part of approving bodies. It is better to base appropriations on the needs of the educational program than to defend the budget on the basis that cuts are certain to be made. Budgets fare better when defended with reliable facts, statements, and policies supporting an approved, quality educational program. Once the practice of padding a budget is perceived, irreparable harm is done to current and future budgets, and the credibility of the school board and the administration is diminished.

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Chapter III

PRESENTATION

Attitude
Publicity
Budget Hearing
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Approval

Chapter III
PRESENTATION

After the budget has been prepared in tentative form, it is presented to the school board and then to other legal and extra-legal groups for discussion and reaction. Pursuant to these discussions and further review by the school board, the budget document is finalized for presentation to the public or the approving body.

The school board may decide that one or more of its members or school administrators will present all or portions of the budget. This may be the board president and/or the board treasurer or it could be those board members who have been designated to work closely with the school staff in preparing the budget. The school board has the authority to request administrators, teachers, citizen committees or students to assist in presenting or explaining various aspects of the budget.

A proper and thorough presentation of the budget to the public or the approving body is essential and should not be treated superficially. Competition for scarce tax dollars combined with the voting public's needs and values make it imperative that schools be able to justify the financial support they request. The days of rubber-stamped budgets are past. Hardly any other public agency is as vulnerable in attempting to secure program revenues. There are, however, several steps which can be taken which will increase the probability that school districts will be able to secure the needed financial resources. In following these steps, one does well to remember that the best developed and most adequate budget in the country can be destroyed or decimated by a weak or faulty presentation.

Attitude

The existence of a proper attitude can be of infinite value during the entire budget cycle, but it is especially important during the presentation of the document to the various public groups and agencies. If the board or district staff assumes the attitude that the taxpayer owes them the necessary financial support simply for existing, taxpayer support for the budget may diminish. The responsibility of the district staff and the board is to objectively evaluate the needs of the community and its students and to formulate an educational and financial program to specifically meet those needs.

It may be anticipated that the public or factions of the public will criticize sharply all or portions of the budget. To present an educational program and associated financial plan which would satisfy everyone in the community is almost impossible. Reaction to public criticisms of the educational program or the budget should not be harsh or explosive. Argumentative stances and tones by school officials do little to advance the cause for budget approval. In addition, public criticisms should not be taken personally, even if a citizen's comment is intended to be personal. Reactions to personal criticism should be taken calmly and objectively and answered in the context of a defense of the budget and in terms of educational needs. School officials must be genuinely honest with the public. There should be no attempts made to pad the budget, hide salaries or deliberately mislead the public regarding expenditure and revenue needs. Anything short of complete honesty and candor will, in the long run, increase the credibility gap and result in a loss of public confidence and support.

The school board can further its cause and display a proper attitude by taking part in budget preparations. As the administrators gather evidence on budget needs and meet with the professional and supportive staffs, the school board can denote interest by assigning one or more of its members to participate in the deliberations. School board member participation in the process will result in a better understanding of the need rationale for each budget item and assist the board as it deliberates and approves the tentative budget document. The public hardly can be expected to support a budget if it does not have the consensus approval of the school board.

Publicity

Publicity regarding the budget is a part of the broader program of public relations. Adequate publicity on the budget hearing date is an essential step in obtaining approval of the tax sufficient to fund the budget. Often, the annual budget hearing and approval sessions are the only sessions the public attends where they can obtain information concerning the educational program. Research has shown that many citizens know very little about financing schools, sources of school funds, the process of budget approval or what is taught in the public schools. This state of affairs should be a signal to school officials that a need exists to improve public relations and publicity programs in an attempt to increase the public's knowledge and/or overcome public apathy. A general principle of public relations is that the public will not agree to nor concur with a governmental policy or program about which it knows very little, i.e., skepticism is more prevalent where general information and clear explanations are absent.

Most people are interested in how their money is being spent and school officials should make certain that publicity on the school budget reaches all the district electorate. Wide distribution of the document including newspaper publication, mailing distributions, public hearings, citizen committees, interest groups and discussion meetings held with community business, civic and social organizations are a few techniques employed by school boards and administrators to assure that the public is informed.

Section 65.90(1) of the Wisconsin Statutes stipulates that municipalities, including school districts, which formulate a budget shall hold public hearings thereon. Sections 65.90(3)(4) and 120.08(1) of the Statutes specify the dates for publicizing the budget and holding the annual meeting in union high school and common school districts. The published hearing notice must include a summary of the proposed budget, notice of the place where such budget in detail is available for public inspection and the time and place of the hearing. Independent and dependent school districts have somewhat distinct requirements regarding the budget hearing and approval process. School officials are urged to become familiar with the legal requirements regarding budget hearings, budget approval and publicizing budget events. The reader is referred to the Chapter 10 where a calendar of budgeting events is listed and described, including the statutory references.

Budget Hearing

For common or union high school districts the annual meeting date (120.08(1)) normally is the principal budget hearing date (65.90(4)). Other school districts arrange for budget hearing dates at the pleasure of the school board as long as it meets the statutory requirements. Normally, city or joint city school districts hold budget hearings in September, immediately prior to the dates they must present their budgets to the approving body.

Many school districts have found that a single hearing allows insufficient time to the public to fully analyze and understand a complex school budget. As a result, districts have found it useful to exceed statutory requirements and hold several public hearings on the budget. Public meetings can further interpretation of the budget provided they are held in an atmosphere of openness, honesty and service on the part of school officials. To the extent that the officials present a conciliatory attitude of listening to reasonable ideas and demands of the public, the budget has a much better probability of being approved.

An introductory budget message to the budget document can be effective in focusing the public's attention on particular goals the district is attempting to accomplish with the budget. Normally, one or two well written pages which focus on goals and district policies that are affected

by the budget will serve to provide a capsule presentation of the major changes the budget incorporates.

There is much information and data which can be included in the budget document, but the substance of the document will vary from district to district depending on the size of the district, educational program, financial program and critical issues associated with the budget. Generally, the budget document will contain more information and data than there is time to cover at a budget hearing, therefore, it is necessary to highlight the major changes and affects of the budget, yet still retain the necessary details in the document to cover specific questions from the public. An adequate budget document normally will include the following items, either because of legal requirements or because it is agreed that certain information is essential to the public's understanding of the budget.

1. Budget policies or policy changes and the probable effect of policies on the financial status of the district.
2. The financial status of the district at the close of the budget year, i.e., assets, liabilities and cash reserve.
3. Proposed educational program to be undertaken by the school district during the fiscal year and the associated program costs.
4. Estimated revenues and expenditures for the ensuing year; estimated and actual revenues and expenditures for the current and preceding budget years.
5. Explanation and rationale for budget increases and decreases.
6. Conditions that can be foreseen which are likely to influence school costs.
7. Building programs, existing indebtedness and debt retirement schedules and their effects on the current budget.
8. Long range educational, financial and facility plans as they affect future budgets.
9. Supporting evidence of need including enrollment projections, community expressions of need, special pupil needs, space requirements, cost analyses and state and national educational needs.
10. Comparisons with and characteristics of other school systems or programs which are worth emulating.
11. The values and benefits to the community and the students of an adequate educational system.

The preceding list is neither exhaustive nor detailed to the extent that each district will wish to include more items of information. It is

representative of essential information that each district should present in the budget document. The type of presentation and comprehensiveness of budget document information at a public hearing will vary depending on the unique characteristics of each school district. (See Appendix H for a more comprehensive list of budget content items.)

In summary, it should be emphasized that a continuous effort to explain the educational program represented by the budget is needed. This effort may not be possible in one evening or at one budget hearing. Concerted, cooperative and continuous efforts on the part of all participants must be made to explain the goals of the schools which are to be accomplished through the budget. Board members can only be expected to become participants in this process when they are knowledgeable of budget needs. The board member must be willing to spend the time necessary to learn about the budget and staff members must be able to articulate clearly program and budget needs.

Politics of Budgeting

Politics is the art or science of government and the art or science concerned with guiding or influencing governmental policy. Politics involves competition between competing interest groups or individuals for power and leadership in a government or other groups. To suggest that politics does not exist in the process of budgeting or securing budget approval is naive. If a school board does not endorse certain administrative practices, it can remove the administrator. If there is not citizen consensus that the school board is reflecting community educational goals and values represented through the budget, then citizens can vote for school board members whose views are more representative.

The politics of school district budgeting is a give and take between an ultimate school district educational program and what the district is willing to tax themselves to support. Not every board member, citizen, educator or pupil will get exactly what they want in an educational program. Conflict resolution is a necessary part of deciding ultimately what will be offered in an educational program and how it will be financed. To some citizens the core requirements of math, science, social studies and English are the essence of an adequate educational program. To others, athletics, industrial arts, vocational programs, music and special education programs are a necessity, particularly if parents have children who have skills or needs in one or more of these areas.

Each of the interest groups having a particular point of view regarding educational programs must be allowed to present their points

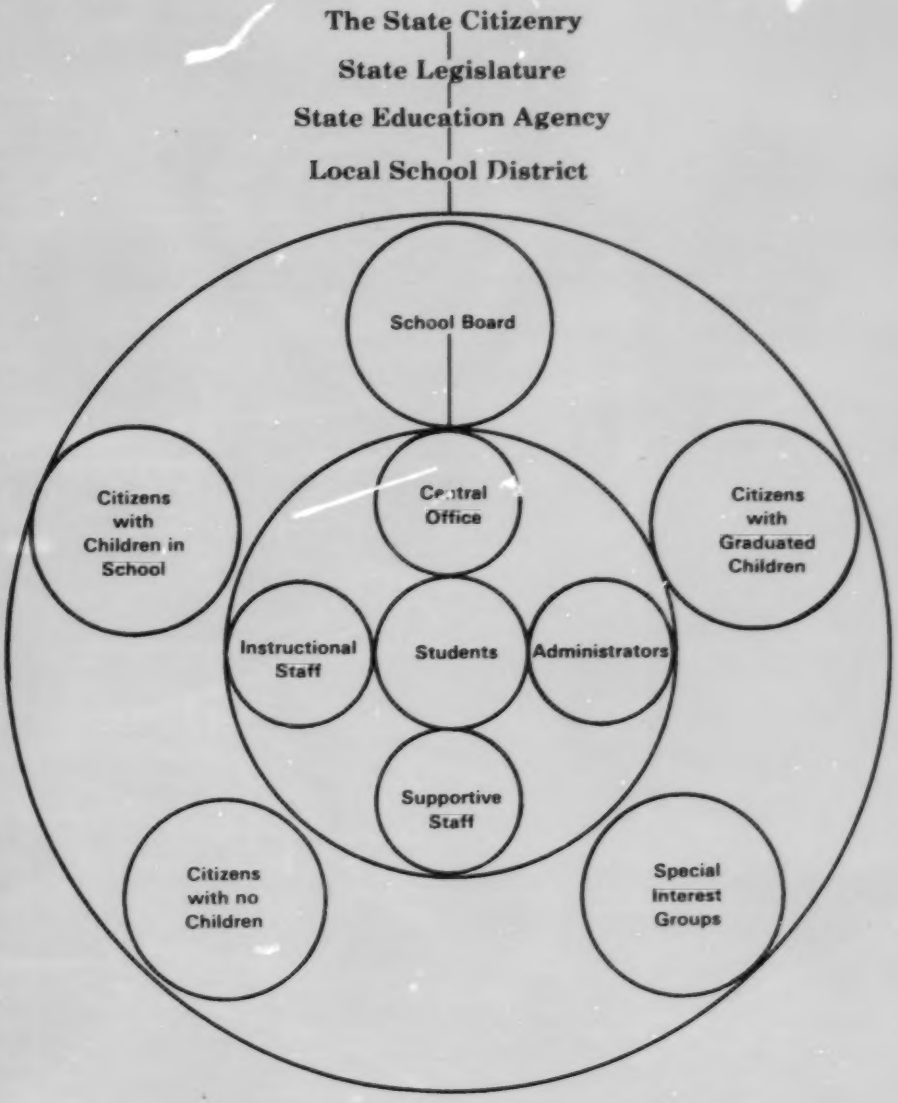
of view and these views must be respected. To disregard interest groups may be a political fatality, particularly if there is substantial community support for the views being expressed. Obviously, a school board cannot accede to the whims and fancies of every citizen; to do so would be time consuming and dysfunctional. A school board must be able to sense the views and needs of the community and make a judgment as to whether the views are legitimate and rational concerns which need to be a part of the educational program and budgeting deliberations. The reader's attention is directed to an illustration of the legal and public influences on a school district. The illustration shown in this chapter draws attention to the fact that there are many publics the school district must work with in budgeting. School officials need to be aware of the interests and concerns of each group.

The balance between what is wanted in an educational program and the resources needed to support a program will always be sensitive and precarious. It is an economic fact that there are never enough resources to give everyone what they want. Economic reality implies that there necessarily will be bargaining and degrees of support exchanged between educators, the school board, the community and interest groups within the school district. Whatever the source of conflict, i.e., lower property taxes, a hockey program, a new elementary school, an advanced math program, etc., it will be necessary to resolve these conflicts through bargaining, discussion and resolution to obtain approval of the budget. Resolution of budget conflicts often is a question of who or what group has the legitimate, financial or persuasive powers to influence budget decisions. These groups and powers exist in the process of budgeting and cannot be ignored.

Approval

The goals of the presentation process are to inform the public and to elicit sufficient support to vote a tax as proposed by the budget. In common and union high school districts in Wisconsin, the legal residents of the school district present at the annual meeting are authorized to vote a tax for purchasing sites, leasing buildings, maintaining buildings, transporting students, operation, discharging debts and liabilities, recreation programs, and creating a sinking fund(120.10). There may be instances in which, between the time of the annual meeting and certifying a tax levy, it is determined that the tax voted at the annual meeting is insufficient or is greater than that necessary to operate the schools. The school board may determine the amount sufficient on or before the 3rd Monday in October and the school district clerk shall certify that amount to the appropriate municipal clerk(120.12(3)).

THE LEGAL AND PUBLIC INFLUENCES ON A SCHOOL DISTRICT BUDGET



Statutes on municipal budget systems(65.90) require that school districts need a vote of two-thirds of the entire membership of the governing body to make changes in the tax levy and such changes must be published as a class 1 notice under Chapter 985 within 10 days thereafter. On or before the last working day in October, the school district clerk must certify the appropriate tax levy determined by the school district to each municipal clerk, who shall assess the amount certified to him and enter it on the tax roll(120.12(3)).

The school board in a unified school district has the powers of an annual meeting. In city school districts where the school boundaries are co-terminous with city boundaries, aldermen of the city common council are authorized to approve the school budget and to levy the tax for school purposes. In joint city school districts where territory outside the city is attached to the city for school purposes, the joint fiscal control body, composed of aldermen of the common council, town chairmen and village presidents, has the authority to approve the school budget and levy the tax for school purposes.

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Chapter IV

ADMINISTRATION

Recording
Staff Participation
Control
Budget Changes
Short-term Borrowing
Financial Reports

Chapter IV
ADMINISTRATION

Authority over the execution of the budget and school business affairs was one of the last responsibilities to be delegated by school boards to professional school administrators.[1] Presently, most school boards delegate responsibility for the administration of the budget to the district administrator. The executive responsibility for all business affairs should rest with the superintendent of schools, but as the size of the system increases, the need for a business administrator subordinate to the district administrator will become apparent. Large school districts, for example, may need additional specialized personnel to manage the transportation program, lunch program, accounting operations, data processing operations, maintenance program, etc. Need for additional personnel generally is a function of the size of the school district and the distribution of responsibilities and work loads among existing personnel. Each school district should examine periodically its supportive personnel requirements and determine whether the management of district services is being performed adequately and efficiently under the present system. There are no simple formulas which will determine how many managers, supervisors or supportive personnel are needed. Services provided and the demands made on district personnel will be determining factors in how many employees are needed. A school district must have the necessary personnel to generate budget information and data and then to administer the budget once it is approved.

Recording

Once the budget is approved appropriate internal accounting procedures must be set up to assure that the funds appropriated are recorded and expended according to the budget. School officials are advised to secure and follow the accounting system and guidelines set forth in the *Uniform Financial Accounting Handbook for Wisconsin School Districts* published by the State Department of Public Instruction. The approved budget figures are transferred to the appropriate accounts as initial entries, which is known as "opening the books." The budget is then ready to be administered.

Staff Participation

Primary responsibility for the control of the budget should be delegated to the professional staff, while the school board's role should be policy development and evaluation of the control procedures developed by the

[1] Stephen J. Knezevich and John G. Fowlkes, *Business Management of Local School Systems* (New York: Harper and Brothers, 1960) p. 15.

professional staff. Preparation of the budget not only involves many participants who are charged with some responsibility for its administration and control, but all levels of staff may participate, and all levels must be informed of approved budget requests and the reasons for disapproval.

The administration should utilize some procedure to inform all personnel of adopted and approved appropriations. Each school district employe should receive a copy of the budget. In addition, it is a good practice to return each teacher's or department's original budget request, showing approvals, deletions and an explanation of each action. Teachers, custodians, department heads, and principals must understand the rationale for approved or disapproved budget requests. Lack of understanding and acceptance of actions on budget requests result in a tendency to undermine budget decisions in order that original requests might be approved.

The budget should serve as a communication device in relating educational goals to resources. It should provide for better rapport and understanding among staff, administration and the school board. Effective budgeting demands that the staff be informed and results in more adequate communication and understanding.

Control

After making the initial entries and opening the books, the budget is ready for the administration of needs and requests of those people affected by the approved document. Administration of the budget must be structured such that those responsible for budget control have primary responsibility for expenditures of budget allocations. Budget hearings and approval of the budget in Wisconsin often occurs too near the start of school to order supplies and equipment and expect receipt of orders by the time school starts. Approval of the budget implies that a school district can proceed with the expenditure of funds. It does not mean that teachers and administrators must delay their ordering of supplies for the start of school. The business of schools does not stop and start with the end of one fiscal year and the start of another. As long as it is reasonable to expect that purchase orders will be covered by sufficient appropriations in the ensuing budget and the school board has approved the tentative budget, teachers and administrators may order from accounts those items needed for the operation of programs. Legally, however, a school district cannot expend money from an account which does not have an appropriation to cover the purchase (120.16(2)). An account must have a sufficient amount placed in it through the appropriation process or through a transfer of funds to cover the expenditure. The business

manager generally is charged with the responsibility of accounting for expenditures in such a manner as to assure that accounts are not over-expended and appropriations are spent on approved items and programs.

Many school districts allow principals, department heads and teachers complete discretion in the expenditure of a specific allocation for their school, department or teaching area. The business office staff records and accounts for purchases and expenditures and informs staff members of the financial status of their allocations. Other school districts operate on a more administrator-controlled arrangement whereby the central office decides the amount each building, department and teacher shall be allowed by approving or rejecting purchase requisitions as they are sent in by various school district units.

If, in the original planning stages of budgeting, building units and departments are involved in ascertaining budget requests and setting priorities, then these units should be informed of the amounts they have to spend and be given some latitude and discretion in the expenditure of funds for their units. This is not to imply that the superintendent's office does not have final authority over purchases and expenditures, for there must be a systematic arrangement for assuring that accounts or units do not over-expend, that the budget is followed and that purchasing practices do not deviate from board policies and the law regarding bidding procedures, bid specifications and bidding requirements. The key to satisfactory rapport and communication with the school district staff is to allow employes of the district as much decision-making latitude as possible regarding the expenditure of funds in their areas, without abrogating the implied and delegated powers of the school board and administration.

The central office will need to set up a chart of accounts for reflecting the financial transactions of the district for expending funds and indicating the receipt of funds. Every school district should have a copy of the *Uniform Financial Accounting Handbook for Wisconsin School Districts*. State financial reports are based on the accounting structure and definitions used in this *Handbook*. As additional resources, school districts will find useful *Revised Handbook II: Financial Accounting for Local and State School Systems (1973)* and *Principles of Public School Accounting (1967)*, both published by the U.S. Office of Education.[2] The Department of Public Instruction periodically revises its *Handbook* and

[2] See Charles T. Roberts and Allan R. Lichtenberger, *Financial Accounting: Classifications and Standard Terminology For Local and State School Systems*, Handbook II, Revised, OE 73-11800 (Washington: Dept. of HEW, U.S. Government Printing Office, 1973); and Bert K. Adams, et. al., *Principles of Public School Accounting*, Handbook II-B, OE 22025 (Washington: Dept. of HEW, U.S. Government Printing Office, 1967).

incorporates changes that have occurred in state laws and in the federal *Revised Handbook II.* Whether a school district uses a single or double entry system with an accrual basis, a modified accrual basis or a cash basis of accounting, each basis is defined and explained with appropriate illustrations in one or more of these publications; however, financial reports to the State Department of Public Instruction require use of the cash basis of accounting.

The school district also will need a budget encumbrance system to determine the financial status of each account at any point in time. An encumbrance system provides for recording the commitment of funds as a result of existing contracts and purchase orders which have been written but which have not culminated in the fulfillment of the contract obligation or the receipt of ordered goods or services. The system protects against the possibility of over-expending or over-committing the expenditure of account appropriations.

The existence of computers and recent technology advances in data processing can be an aid to school districts in accounting for and controlling funds. Larger school districts, in particular, are utilizing computer systems to maintain financial records. The question of whether a school district should lease computers, contract computer services, utilize accounting equipment or operate a manual system is an individual school district decision. Feasibility studies should be conducted at the outset to determine the comparative costs, results, advantages and disadvantages of accounting hardware systems. The system chosen will depend on the size of the operation and the nature of the data and financial reports the district needs. A few Cooperative Educational Service Agencies (CESA's) have data processing systems whose services are available to school districts at cost. Some school districts contract with larger school districts, banks, insurance companies, other businesses or private data processing service agencies to execute all or part of their financial accounting operations.

Budget Changes

Procedures for making changes in the budget after it is approved must be flexible enough to avoid hardships that have an adverse effect on the educational program. Conversely, budgets should not be subjected to the whims of school officials to the extent that accounts and funds are constantly being changed. Rarely is a budget established in which the originators were able to foresee and predict the exact dollar amounts needed in each program or account. Responsibility for ensuring that funds are expended in accordance with the approved budget should be

clearly defined, just as procedures for meeting the legal and ethical requirements for making changes must be defined.

The financial division of the Wisconsin Department of Public Instruction will allow over-expenditures in one account of a fund without making an official transfer, but the district must under-expend in another account. It is still a good practice to make transfers from one account to another within a fund by official school board resolution. Still, this procedure should be monitored carefully, as the administration frequently can lose control of budget appropriations and expenditures if adjustments or transfers are a constant, monthly school board activity.

Section 65.90(5) of the Wisconsin Statutes covering municipal budgets states that changes in appropriations, tax levies and the purpose of appropriations require the approval of two-thirds of the governing body and a class one publication within ten days after such action, pursuant to Chapter 985 of the Statutes. School board policies should state definite procedures to be followed in authorizing adjustments as a result of unanticipated expenditures or expenditures which exceed budgeted amounts. In addition, it is a good practice to include the statutory provision for making transfers or adjustments in board policies to avoid the possibility of making illegal changes.

The statutory provisions governing transfers from a sinking fund are more restrictive. In a common or union high school district money appropiated to a sinking fund may not be used for any other purpose or transferred to any other fund unless authorized by two-thirds vote of the total number of electors of the school district (120.10(10)). In city school districts no such transfer may be made unless authorized by a resolution adopted by three-fourths of the school board members and adoption of the resolution by the common council or, in the case of a reorganized city school district, by three-fourths vote of the fiscal board (120.56(1)).

Short-Term Borrowing

Approximately 50 percent of the financial obligations of common, unified and union high school districts must be met before any tax monies are received for the year budgeted. These school districts budget on a fiscal year basis (July 1 to June 30) and regular collections of local tax receipts come between January and June, with the exception of postponed property tax payments which are received in August. Regular payments of state aids to these districts also are made in the latter portion of the fiscal year. The State Department of Public Instruction may honor requests for advances on amounts up to 75 percent of state aid due a school district (121.19). Requests for advances on state aid may be made

on or after July 15 if the annual report of the school district for the previous year has been filed with the State Superintendent of Public Instruction. Often, however, the advance on state aid is not enough to meet expenditure obligations, particularly if a school district receives little state aid.

Although the Statutes (67.12(8)) provide for temporary borrowing of up to one-half the estimated receipts for operation and maintenance for the current school year, financial planning will minimize this practice and expense. Through careful budget construction and administration, the school district should build an operating balance large enough, when supplemented by state aid advances, to meet the cash flow needs of the district. The amount of the operating balance will vary among common, unified and union high school districts according to each district's needs.

City school districts receive most of their tax receipts during the first six months of their fiscal year (calendar year) and can meet immediate financial obligations. Still, it may be a good practice to maintain what school officials determine is a reasonable operating balance to meet possible gaps between expenditure needs and revenues. It is a questionable practice to have to borrow money to meet current liabilities except for extenuating circumstances.

As a general rule, local governmental bodies do not have the authority to tax for the purpose of accumulating surpluses in the treasury. Money appropriated for a particular purpose in a given year but not used and unallocated surpluses become "funds on hand" as that term is used (65.90(1)) and are applied to the following year's budget to reduce the amount raised by taxation. (See: *Immega v. Elkhorn* 253 Wis. 282(1948); 34 OAG 345 (1955); and 46 OAG 230 (1957)). However, operating balances which are transferred by a definite appropriation for a specific purpose (65.90(5)) cease to be "funds on hand." In addition, it has been recognized that an amount required as a reasonable operating balance is not an unallocated surplus which must be applied to defray the following year's budget. (See: *Fiore v. Madison*, 264 Wis 482 (1953); and 56 OAG 152 (1967)). In an Opinion of the Attorney General it is specifically stated that funds in an amount bearing a reasonable relationship to the expenditures anticipated during the first part of the ensuing year which will elapse before revenue will be received and which furnish a working balance to pay such expenses do not constitute surplus funds required to be applied in reduction of the tax levy (37 OAG 586 (1948)).

Nothing has been said in this section regarding the legal requirements and provisions of borrowing to meet long-term obligations. The reader

will find the current statutory provision for bonding and long-term indebtedness in Appendix G.

Financial Reports

A number of people and agencies need to be apprised of the financial status of various accounts and funds of the school district. Building units and department heads need to know the status of those accounts for which they have some responsibility. The school board should be informed monthly of the financial status of the school district. The State Department of Public Instruction requires regular yearly financial reports from each school district.

Local Financial Reports

Building principals, department heads, teachers and other unit heads who requisition from accounts for which they have some responsibility need to know periodically the year-to-date expenditures, outstanding encumbrances and unencumbered balances for those accounts. A monthly report on the status of each account is a practice followed by many school districts. It is not necessary to give every employe a status report on each account in the budget. Those personnel who have some responsibility for account expenditures should receive reports on those accounts.

Normally, financial reports are prepared and presented prior to or at the board's regular monthly meeting. Some boards request that monthly financial reports be delivered to them a few days prior to board meetings along with the agenda, so that they may have an opportunity to review the reports and take the appropriate action at the meetings rather than read the reports during board sessions.

The detail and comprehensiveness of financial reports should be a prerogative of the board. Financial reports should include the status of the accounts, either individually or by summary, depending on the decision-making needs of the board. Information on the status of the accounts should include a current report of account appropriations, expenditures to date, outstanding encumbrances and unencumbered balances. Many boards also require a report on changes which occurred in the accounts since the last report, in which case a report of account expenditures and encumbrances for a given period of time will have to be included in addition to the year-to-date status of accounts.

Other financial information included in a comprehensive report system would be a monthly report of year-to-date receipts, year-to-date total expenditures, year-to-date total encumbrances and contractual obligations, existing cash reserve or bank balance, investments of idle

balances, year-to-date earnings on investments, debt service payments and obligations, outstanding purchase orders, vendor checks written and a report of transfers or adjustments in accounts. All of these reports are not necessarily needed each month, but the school board should be aware that any or all of these reports can be made available in the event the board needs them for informational purposes or for making decisions on financial matters. In summary, the school board must be kept well informed on the status of budget accounts and the financial operation of the school district, and it should be provided with financial reports which assure that the above criterion is met.

Financial Reports to the State

The most critical and comprehensive financial reports required by the state are those associated with the Annual Report of School Districts(120.18). Prior to the 1973-74 school year there were two documents required by the Department of Public Instruction—Annual Report Part I and Part II. These two reports were consolidated for the 1973-74 annual report, but the same essential information and data are required as when there were two reports.

The Annual Report of School Districts is due on or before August 1 of each year and covers the school year and fiscal year (July 1- June 30) just completed. The Annual Report includes information and data on transportation aid, driver education aid, school census, enrollment, attendance, membership, days in school term, long-term indebtedness, site and construction expenditures, receipts, expenditures, cash balances, clearing accounts, and the school tax levy.

Part III of the Fall Report is the other major financial report required by the state(121.05). The Fall Report is due on or before October 1 each year and covers the budget year in progress. This report essentially is the budget approved and adopted by the school district and contains such information and data as the beginning balance, estimated receipts, transfers, estimated disbursements, estimated end-of-year balances, estimated clearing account receipts and expenditures, long-term indebtedness, transportation aid claims and data on enrollment, attendance and membership.

There are other state reports required which are related to the financing and operation of the school district. Such reports as those on the district's handicapped program, homebound program, and the Annual Report Audit Statement are required. The reader may refer to Chapter 10 of this handbook for information on the dates, requirements and statutory references for other reports. School district officials should consult with Department of Public Instruction officials for further information on state report requirements.

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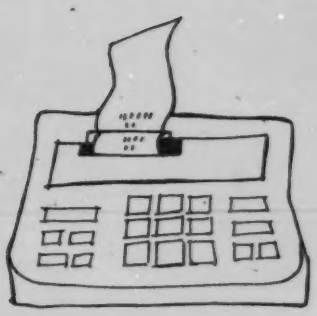


Chapter V

EVALUATION

Budget Standards
Cost and Budget Comparisons
Auditing

Chapter V

EVALUATION

The final step in the budgeting process is an evaluation of how well the budget has served the predetermined educational program. Responsibility for evaluation rests primarily with the school board. Most boards seek the cooperation and assistance of the district's professional staff in making the evaluation, but in the final analysis the school board must be satisfied that it has fulfilled its responsibility to the community for providing the best educational program possible with the available resources.

The evaluation phase of the budgeting process will generate honest differences of opinions regarding the educational goals to be accomplished in view of increasingly limited resources and the availability of tax revenues. Answers to the following questions ought to be discussed and resolved in an open atmosphere of exchanging views and debate.

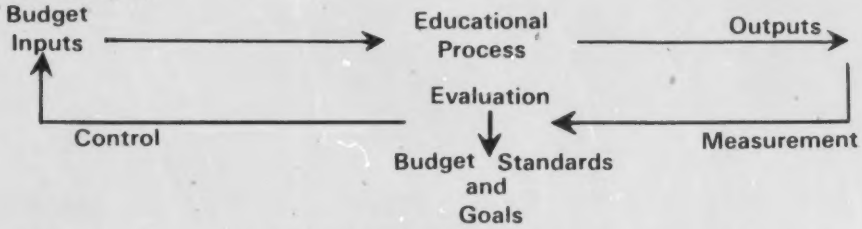
1. What educational goals and objectives was the school district attempting to achieve with the budget?
2. What measures and standards shall be used to determine if the goals and objectives were achieved?
3. Who will determine what constitutes an acceptable goal achievement standard?
4. What costs, personnel and other resources were used in achieving the district's goals and objectives?
5. Were the goals adequate or inadequate in light of acceptable educational standards and community educational needs?
6. Should educational programs be added, eliminated, reduced, increased or altered in any manner?
7. Were the budget and the resources for the budget adequate for achieving the educational goals and objectives?
8. What additional resources are needed and where will these resources be obtained? What effect will securing additional resources have on those who must share the burden of providing the resources?
9. How should existing or additional resources be distributed among educational programs and services included in the next budget such that the district's goals and purposes are achieved efficiently and economically?

When the school board is considering the quality of education desired in the community, differences of opinion develop because answers to the above questions depend on the values and standards of the person considering the question. A particular educational program important to one board member or taxpayer may be less important to another. For

example, an outstanding music program and staff may be most important to one person, whereas, another person may consider provisions for an outstanding advanced mathematics curriculum and staff more critical. The inherent values and standards of the people involved in the determination of how well the budget has served the school district make evaluation of the effectiveness of the school budget difficult. The individuality and freedom of expression, however, are the bases for developing more adequate budgets and are what make school district programs unique. Evaluation is a difficult but necessary step in the budget process.

Budget Standards

A few school districts have attempted to establish budget standards for making comparisons. A budget standard, as used in this presentation, is a quantitative measure which can be used for evaluating budget expenditures and needs. Budget standards can serve as an effective means of comparing budget accounts, programs and costs. If standards are not developed over the years, it becomes difficult for a school board to assess the reasonableness of cost variations among building programs, school districts or within individual accounts in any given year. If reliable and valid standard costs can be ascertained and if conditions which require alterations can be analyzed, realistic budgets can be developed which will permit more accurate evaluations. The model which follows illustrates where the evaluation and appraisal step exists in the overall cycle.



There are numerous budget standards which can be utilized by schools in making cost comparisons and evaluations. The school district's educational philosophy, goals, program, needs, values, and the kinds of data and information needed to make an evaluation of the budget will influence the kinds of standards utilized. Following are some typical cost standards used by school districts in evaluating budgets and comparing costs.

1. Total instructional costs per pupil
2. Specific educational program costs per pupil

3. Subject matter costs per pupil
4. Cost per pupil by grade level, grade group or building
5. Costs per pupil by subject matter area and by grade group combined
6. Cost of instructional supplies per pupil
7. Cost of textbooks per pupil
8. Library expenditures per pupil
9. Administrative costs per pupil
10. Cost per pupil for guidance
11. Special educational program costs per pupil
12. Cost per meal served
13. Custodial and maintenance costs per pupil
14. Maintenance and custodial costs per square foot by building
15. Capital outlay costs per pupil
16. Debt service costs per pupil
17. Transportation costs per pupil transported, per bus mile, or per pupil per bus mile
18. Athletic and intramural program costs per participant or per pupil
19. Student activity program costs per participant

It should be noted that unit costs could be determined for each program and budget category. There must be an accurate definition and understanding of what constitutes a program or cost category. In addition, a cost analysis and data gathering structure is needed to account for costs on a daily basis and provisions made for the derivation of total standard cost for each unit at the end of the budget year.

Taxpayers are vitally interested in knowing what part of increased educational costs buys a higher quality educational program and what part of increased costs is the result of higher enrollments and inflation. Explanation of unit costs may help the public understand budget increases. Multiplying per pupil expenditures by the anticipated enrollment increase over the previous year will give the school district and the public an approximation of what increased expenditures should be included in the budget. The result will portray the increased cost to maintain programs at present levels due to a higher enrollment. If schools would determine budget category or programs standards, the entire budget could be projected by multiplying the per pupil expenditure per budget category or program by the increase in enrollment. Likewise, an inflation index could be established for expenditure areas and the index multiplied by the budget category or program costs to determine the total dollar amount it would take to purchase the same level of services and goods as under current operations. The following examples are provided

to illustrate how a school district might calculate future budget expenditures due to enrollment increases and inflation.

Budget Increases Based on Enrollment Increases

Selected Budget Categories	Current Expenditure	Per Pupil Expenditure	Enrollment Increase	Budget Increase Due to Change in Enrollment	Intermediate Budget Total
Teacher Salaries	$1,800,000	$600	100	$60,000	$1,860,000
Fixed Charges	270,000	90	100	9,000	279,000
Teaching Supplies	45,000	15	100	1,500	46,500
Library Books	12,000	4	100	400	12,400
Administration	90,000	30	100	3,000	93,000
Capital Outlay	150,000	50	100	5,000	155,000

Budget Increases Based on Inflation and Enrollment Increases Combined

Selected Budget Categories	Intermediate Budget Totals	Inflation Index	Inflation Costs	New Budget Totals
Teacher Salaries	$1,860,000	.05	$93,000	$1,953,000
Fixed Charges	279,000	.07	19,530	298,530
Teaching Supplies	46,500	.04	1,860	48,360
Library Books	12,400	.03	372	12,772
Administration	93,000	.05	4,650	97,650
Capital Outlay	155,000	.06	9,300	164,300

The derivation of projected budget expenditures on the basis of increased or decreased enrollments and decreased purchasing power would seem to be a reasonable departure point in estimating the costs necessary to maintain district programs, pay schedules and services at present levels. However, enrollment increases do not imply increased expenditure needs across all categories of the budget. An increase of 100

students hardly necessitates a proportionate increase in expenditures for building fuel, electricity or maintenance. These expenditure categories are affected by decreased purchasing power. Inflation indices are derived and published by the U.S. Department of Labor for the country and for selected metropolitan areas. A few states have agencies which calculate state inflation indices on a monthly or yearly basis. The consumer's price index, which has wide public dissemination, will suffice as a gauge of inflation if indices are not available for each budget category. There are other factors to consider, however, in projecting budget needs and evaluating current budgets. In estimating salaries, for example, the district will need to take into consideration, not only enrollment and purchasing power, but also modifications in teacher, administrator and supportive staff pay schedules.

The examples shown consider only the maintenance of educational programs and district operations at present levels. The school district will want to consider other factors such as reduction, increases or alterations in current programs and the establishment of new programs. The district also will want to consider the effects of board policy changes on educational programs and costs. For example, what effects would a policy change which reduces the pupil-teacher ratio in elementary classrooms from 25 to 23 have on the budget?

What effects there will be on the budget if enrollments decline is a situation school districts will have to anticipate in planning future budgets. The effect of enrollment declines or increases isn't really as simple as portrayed in the examples provided above. When enrollments decline or increase in small proportions, it may not affect each grade level or classroom in the same manner. A grades 1-6 enrollment of 300 or an average of 50 per grade and 25 per teacher, accompanied by a one year decline of 30 pupils in grades 1-6, hardly implies that a district can eliminate one teacher in this elementary school, if the reduction results in an actual enrollment decline of 5 students per grade or 2 to 3 students per classroom. On the other hand, an increase of 30 students in grades 1-6 does not necessarily mean that the district must hire one more teacher.

Some success has been achieved by school districts in changing attendance boundaries, but a clear and rational explanation of the need to make boundary changes must be made to affected households. Households along an attendance boundary do not want their children constantly changing schools to stabilize classroom pupil-teacher ratios. Other solutions used are reducing or increasing the number of teacher aides, making provisions for rotating teachers and specialists to adjust

classroom or departmental loads and hiring part-time teachers. The solution to this problem will vary from one district to another, but it is seldom a simple problem to resolve.

Cost and Budget Comparisons

Analysis of budget and unit costs on a district-wide or building basis within the district can be a valuable exercise if it is done properly. Caution should be exercised in assuring that the cost variables included in the computation and in making the resultant comparisons are the same. For example, when comparing instructional program costs, one does not include instructional equipment costs in one program and leave it out of the computation of costs for another program.

The problems of comparing costs are compounded when efforts are made to compare one district's costs with others. One common method of making comparisons is to calculate the percentage each account or functional group of accounts is of the total budget and then compare the percentages with those derived in other districts. A school district should compare its expenditures with other school districts only if the districts are very similar in size, wealth and other characteristics. School district factors which lend to differences in expenditures are described below.

1. Size of the school district, i.e., extremely small or extremely large districts may have higher costs because of economies of scale.
2. Tax base behind each pupil in the district or wealth of the community often means the wealthier district can support more programs than poor districts.
3. Communities that place education high on their list of priorities likely will devote more of their resources to the educational program.
4. The nature of the local economy will often dictate the curriculum, i.e., the existence of vocational courses, science or academic courses.
5. Sparsity of population, physical terrain, climate, conditions of roads and walking distance policies will contribute to differences in transportation costs.
6. Pupil-teacher ratios and policies will vary among districts. Lower ratios generally imply higher expenditures.
7. The existence of the centralization of school operations is important. The operation of several small, widely scattered attendance centers with small enrollments may mean higher maintenance, operation, transportation and administration costs per pupil.
8. The school year in Wisconsin school districts varies from 180 days to 210 days, consequently, more operating days usually result in higher costs.

9. Salary policies, fringe benefits, and working conditions play a large role in determining costs. Districts that have a teaching staff with less experience and training will have lower staff costs than districts which retain highly trained and experienced teachers.
10. The provision of special programs and special services will result in higher costs. Advanced courses in mathematics, science, foreign languages, a broad variety of opportunities in vocational subjects and music, extensive psychological and psychometric services and educational programs for exceptional pupils will result in higher costs.
11. Quality of building materials and equipment and maintenance policies will affect cost.
12. Accounting practices and school board policies on how student activities such as athletics, forensics and drama are supported will contribute to variations in costs. In some districts these programs are expected to be primarily self-supporting, whereas other districts expend considerable tax dollars to support these activities.
13. School districts which carry an operational balance sufficient to cover expenditure-revenue gap needs do not incur the interest costs other districts incur when they must acquire short-term loans.

Each of the above factors adds to the operational costs and is reflected in the cost per student by expenditure category or for total operational costs. The above factors are illustrations of the kinds of variations that exist from one school district to another and are identified here to give emphasis to the necessity for exercising caution in making cost comparisons. For comparisons to be legitimate and valid, the items being compared must be as nearly alike as possible and the cost data derived in the same manner.

Cost comparisons will continue in school districts and the intention here is not to suggest that the practice be discontinued. Comparisons of districts with like characteristics do provide indications of whether a district's costs vary substantially from standard costs. Judgments regarding comparisons must be made with discretion and full knowledge of the characteristics which affect each unit cost.

School board members must be satisfied that *the quality of educational programs offered in their schools is in proper relationship to the taxpayer's ability and willingness to pay for the established educational program*. This general relationship appears to be the most widely used criterion for evaluating a school district budget.

Auditing

One of the essential portions of evaluation is the audit required by section 120.14 of the Wisconsin Statutes. In a common or union high school:

(1) At the close of each fiscal year, the school board of each school district shall authorize an audit of the school district accounts pursuant to sub. (2) or employ a licensed accountant to audit the school district accounts and certify the audit. The cost of the audit shall be paid from the school district funds.

(2) The school board may request the department of administration in accordance with section 16.58(4) to audit the school district accounts, install a system of accounts and advise and make recommendations concerning existing systems of accounts.

(3) The annual meeting may authorize and direct an audit of the school district accounts either by a licensed accountant or by the department of administration.

The above provisions are made applicable to city and unified school district programs and financial records by sections 120.41 and 120.75 of the Statutes.

Auditing is the systematic investigation, verification, and critical review of financial operations, culminating in the control of the fiscal affairs of a school district. The purpose of auditing is to verify or substantiate the financial status of the school system. Its objectives are to assure that financial operations are proper, legal and accurate and that transactions are reflected in accounts with acceptable accounting procedures.

The annual independent audit, required by Wisconsin laws, is the most common type of audit performed. Internal auditing is done by school district personnel and is a practice used by school districts analogous to making doubly certain accounting practices are adequate.

Often it is a good procedure to perform a general audit when major personnel changes are made during the budget year. For example, when either the superintendent or school business manager leaves and is replaced, a general audit may be performed to assure the accounts and financial operations are in order at the time new personnel assume his responsibilities.

The increased complexities and scope of school district programs and financial records make it imperative that audits be substantiated by licensed accountants or the State Department of Administration. The Annual Report-Audit Statement to the State Superintendent of Public Instruction covering the fiscal year July 1 to June 30 must be filed not later than January 1 of the following year.

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Section II

CONCEPTS, PROVISIONS & POLICIES OF BUDGETING

Chapter VI: Property Assessment, Equalization and Tax Rates

Chapter VII: General State Aid

Chapter VIII: Program Budgeting

Chapter IX: Prorating Expenditures & Indirect Costs

Chapter X: Calendar of Budgeting & Financial Events for Wisconsin School Districts

Chapter XI: Suggested School Board Policies Related to Budgeting & Financial Operations

Chapter VI

PROPERTY ASSESSMENT, EQUALIZATION & TAX RATES

Assessed Valuation
Equalized Valuation
Determining Tax Rates

Chapter VI

PROPERTY ASSESSMENT, EQUALIZATION AND TAX RATES

The property tax, real and personal, is the largest single source of revenue available to local governments in Wisconsin. It is especially important to school districts, representing more than 50 percent of their total revenues as a state average. Thus, determination and collection of property taxes are of prime importance to school districts in Wisconsin.

Fiscally independent school districts in Wisconsin determine their own tax levies, but do not collect any taxes from taxpayers. All property taxes are collected by town, village and city treasurers, except for delinquent and postponed taxes which may be collected by county treasurers (74.03). School districts may levy taxes but the collection is made by local municipalities. After the school tax levy has been determined, the clerk of the school district must certify the levy (the amount of taxes to be raised) to the local municipal clerk for spreading on the property tax roll of the municipality (120.17(b)(a)). If a school district lies entirely within (or is coterminous with) the municipality, the entire amount of the levy is certified to one municipal clerk. However, if the school district is comprised of land area in two or more municipalities, which is the more common case in Wisconsin, the school clerk must apportion the amount of the tax levy to the two or more municipalities on the basis of the proportion of equalized valuation of each municipality lying within the school district. The equalized valuations are determined by the Wisconsin Department of Revenue and are made available to the school districts by the Department of Public Instruction about October 1 of each year (121.06).

Assessed Valuation

When preparing the tax roll of the municipality, the municipal clerk will use the assessed valuation of his municipality. Assessed valuation is the value the assessor of each municipality has placed on each parcel of real estate and unit of personal property within the municipality. The assessed valuation is determined as of May 1 of each year but does not necessarily mean that each parcel of property is examined each year to determine its assessed value. Assessment practices vary in the state. A few municipalities have computerized assessments which take into consideration recent sales and the geographic location of the property and establishes a revised assessment value on parcels each year. In other municipalities assessors may not revise assessment values on given properties but once every five or six years. In the latter case, the assessor uses the same assessed value on the tax rolls each year until he has an

opportunity to physically examine a parcel of property or obtains other evidence, such as building permits, which identify improvements and the value of improvements.

A local board of review is established in each municipality to insure that an appeal procedure exists for local property owners who believe they have been unfairly assessed. The appeal board exists to insure that equitable assessments are made among individual taxpayers, i.e., property owners with like properties are assessed equally. Theoretically, the local assessor's valuation should be based on the fair market value and should be the same as the equalized valuation determined by the Wisconsin Department of Revenue. Although local assessors are expected to assess property at fair market value, for a number or reasons it has been customary for local assessors to assess property at a lesser value than fair market value. Court decisions in Wisconsin have maintained that such valuation practices are legal as long as equivalent properties within each municipality are valued alike.

For purposes of illustration, the following shows the total assessed value in each of five municipalities which comprise Joint School District Number One and the percent of assessed value contained in each municipality.

Assessed Values and Percent of Assessed Valuation in Municipalities Comprising Joint School District No. 1

Municipality	Assessed Valuation	Percent of Assessed Value of Total District
City A	$6,000,000	43.796%
Town B	2,400,000	17.518%
Town C	2,000,000	14.599%
Village D	3,000,000	21.898%
Village E	300,000	2.190%
Total for Jt. Dist. #1	$13,700,000	100%

Equalized Valuation

Local assessments are always broken down by individual parcels of real estate or units of personal property, i.e., there is a value established on each piece of property by the assessor. Equalized valuations, on the

other hand, are established for each municipality or for portions of a municipality within a school district. *What is equalized valuation?* It is the fair market value of all properties situated in a given municipality as determined by the Wisconsin Department of Revenue (121.06). How are equalized values determined by the state? The Department of Revenue uses a combination of the field appraisal approach and the sales information approach. During the field review of a county which occurs every six years, appraisal methods are used, while the values established during the interim years involve the use of sales information.

The field review of property in a county establishes an equalized value on all property in the county using the sample appraisal method. (1) By actually viewing a sample of properties in a county or municipality, the field review team establishes what it considers an accurate estimate of what that property will bring in a sale. (2) The Department of Revenue knows the assessed values certified by each municipal assessor, on each piece of property selected in the sample. (3) The State Department determines an assessment ratio of assessed values (established by the assessor) to sale value (established by the field review) for the sample of properties. (See step 3 below). (4) The State applies the assessment ratio to the total assessed value in the county or municipality and converts it into a total equalized value. (See step 4 below.)

Step 3: Determining Assessment Ratio

Assessed Value of Sample Properties	=	$ 6,000,000
Sale Value of Sample Properties Established by Field Review	=	$10,000,000
Assessment Ratio = $\frac{\$6,000,000}{\$10,000,000}$	=	60%

Step 4: Converting Total Assessed Value Into Total Equalized Value

Total Assessed Value in a Municipality	=	$60,000,000
Assessment Ratio	=	60%
Total Equalized Value in Municipality = $\frac{\$60,000,000}{60\%}$	=	$100,000,000

Each year between field reviews (held every six years) a state office review is made of changes in property values reported by the local assessor and also of the annual sales information for each district. The state maintains records of all sales of properties in each municipality which are obtained from the real estate transfer returns. If the number of sales is sufficent in a municipality, the State Revenue Department will go through the process of re-establishing the assessment ratio, as indicated in steps 1 through 3 above. However, this method

utilizes the sample of intervening sales in lieu of the sales value established by the field review. Step four in the process of determining the equalized value in a municipality is the same.

Often, however, too few reliable sales representing all types of property are available to allow a change in values based solely on the sales analysis approach. The result is that a revision in assessment ratios is made every six years based on a field review, which as a consequence may show a substantial increase in the equalized valuation of the municipalities reviewed every sixth year. To avoid substantial increases every sixth year, it would seem imperative that assessment ratios be revised more frequently.

With the assessed values and the equalized values established by the procedures just explained, the district has the necessary data to determine the share of the tax levy which each municipality will raise for school purposes. The following table illustrates the equalized values of property determined for each municipality and the share equalized valuations are of the total school district equalized valuation.

Distribution of Assessed Values, Equalized Values, and Assessment Ratio Among the Municipalites of Joint School District No. 1

Municipality	Assessed Valuation	Equalized Valuation	Ratio of Assessed to Equalized Value	Percent of Total Equalized Value In Each Municipality
City A	$ 6,000,000	$ 8,000,000	75%	40%
Town B	2,400,000	4,000,000	60%	20%
Town C	2,000,000	4,000,000	50%	20%
Village D	3,000,000	3,000,000	100%	15%
Village E	300,000	1,000,000	30%	5%
Total for Jt. Dist. #1	$13,700,000	$20,000,000	68.5%	100%

Determining Tax Rates

With the equalized valuations available for each municipality or portion of a municipality located in a school district, the school district can distribute the tax levy among the municipalities according to the proportion of equalized value each municipality has of the total equalized value in the district. It should be noted that if there were no procedures for determining equalized values, then the proportion of assessed valuation located in each municipality would have to be used, leading to gross

inequities in the distribution of the tax levy because of the wide disparity in assessment ratios among municipalities, as shown in the preceding table.

To illustrate how the tax levy would be distributed among the municipalities of the school district, assume Joint School District No. 1 must collect $300,000 in property taxes from the five municipalities located in the district. This tax levy would be apportioned among the municipalities according to the percentage of equalized valuation located in each municipality. The following table illustrates the share of the tax levy that would be certified to each municipal clerk in this hypothetical Wisconsin school district by the last working day of October (120.12(3)(120.17(8)(a)).

Distribution of Tax Levy Among the Municipalities of Joint School District No. 1

Municipality	Equalized Valuation	% Eq. Value in each Municipality		Total District Tax Levy		Each Municipality's Share of Tax Levy
City A	$ 8,000,000	40%	x	$300,000	=	$120,000
Town B	4,000,000	20%	x	300,000	=	60,000
Town C	4,000,000	20%	x	300,000	=	60,000
Village D	3,000,000	15%	x	300,000	=	45,000
Village E	1,000,000	5%	x	300,000	=	15,000
Total for Jt. Dist. #1	$20,000,000	100%	x	$300,000	=	$300,000

In the process of explaining and publicizing school district budgets in Wisconsin, there are two different tax rates or mill rates used. A tax rate is determined simply by dividing the amount of tax levy by the amount of property valuation located in a school district or municipality. The result of this calculation is usually expressed in mills. One mill is equivalent to a tax of one dollar on each $1,000 of property. The mill rate on the equalized value of property in Joint School District No. 1 would be 15 mills and was obtained in the following manner.

$$\frac{\text{Total tax levy}}{\text{Total equalized value in district}} = \frac{\$300,000}{\$20,000,000} = .01500 = 15 \text{ mills}$$

Because equalized values established for each municipality in the state are equivalent roughly to the total sale value of property in a municipality, it is possible to compare equalized valuations and make judgments

about whether one municipality or one school district has more or less property value within its boundaries than another municipality or school district. Dividing the amount to the raised in each municipality by the equalized value of property in that municipality also results in the same tax rate (mill rate) on equalized value in each municipality of a school district, as the following illustrates.

Determining the Tax Rate on Equalized Value in Each Municipality

Municipality	Tax Levy in Each Municipality	÷	Eq. Value in Each Municipality	=	Mill Rate on Eq. Value
City A	$120,000	÷	$ 8,000,000	=	15 mills
Town B	60,000	÷	4,000,000	=	15 mills
Town C	60,000	÷	4,000,000	=	15 mills
Village D	45,000	÷	3,000,000	=	15 mills
Village E	15,000	÷	1,000,000	=	15 mills
Total for Jt. Dist. #1	$300,000	÷	$20,000,000	=	15 mills

The municipal clerk in each municipality, however, does not assess tax levies on individual property owners on the basis of equalized mill rates. Seldom do local assessors establish equalized values for each parcel of property. The value that is listed on the tax rolls is the assessed value on each parcel of property and is what the municipal clerk must use in determining the amount to be collected on each parcel of property. School officials certify a tax levy which must be collected in each municipality. The municipal clerk, using the total assessed value of property located in

Determining the Tax Rate on Assessed Valuation in each Municipality

Municipality	Tax Levy in Each Municipality	÷	Assd. Value in Each Municipality	=	Mill Rate on Assd. Value
City A	$120,000	÷	$ 6,000,000	=	20 mills
Town B	60,000	÷	2,400,000	=	25 mills
Town C	60,000	÷	2,000,000	=	30 mills
Village D	45,000	÷	3,000,000	=	15 mills
Village E	15,000	÷	300,000	=	50 mills
Total for Jt. Dist. # 1	$300,000	÷	$13,700,000	=	21.898 mills

his municipality, divides the municipal school tax levy by the total assessed value to determine the tax rate (mill rate) he will apply to each parcel of property. The preceding illustration serves to indicate how the tax rate on assessed value is determined for each municipality.

The municipal clerk in City A, for example, will assess a tax rate of 20 mills on each parcel of property in City A to collect the school tax levy of $120,000 which he must pay to Joint School District No. 1.

To summarize, the reader will note that while there is a single mill rate for all municipalities on the equalized value of property, there are five different mill rates on the assessed value of property. In addition, all of the mill rates based on assessed valuation, with one exception, are higher than the mill rate determined for equalized valuation. Comparing mill rates on assessed valuation shows emphatically the difficulties that can arise in discussing mill rates unless the discussants understand thoroughly which mill rate is being discussed and the derivation of that mill rate. Comparing mill rates on assessed valuations can lead to gross inaccuracies and should not be done. On the other hand, comparisons of mill rates on equalized valuation can be made and are the mill rates which should be publicized and discussed at budget hearings.

Because of the difficulties with communication on mill rates and valuations, almost all school district computations regarding taxation, general state aids, operating levies, and indebtedness are related to equalized valuations rather than assessed valuations. This not only makes for uniformity of application and comparability between school districts in the state, but also avoids the complications and potential misunderstandings involved in discussing assessed valuation rates.

Chapter VII

GENERAL STATE AID

Factors in the Aid Formula
Theory of General Aid
Calculation of General State Aid
Incentive to Reorganize

Chapter VII

GENERAL STATE AID

General state aid to school districts is intended as a supplement to the property tax. This is an important fact, and understanding it will simplify the discussion which follows. It also explains why much of the terminology of the general aid formula is related to property taxation as discussed in the previous chapter.

There are six factors used in the general aid formula. This chapter will include (1) a discussion of each factor, (2) the theory of general aid, (3) how the factors are combined to determine general aid and (4) incentive features of the general aid formula.

Factors in the Aid Formula

1. *Equalized valuation.* The equalized valuation of a school district is the total of the full value of all parcels of property lying within the school district's boundaries as determined by the State Department of Revenue.

2. *Membership.* Membership for state-aid purposes consists of the "third-Friday membership" plus the summer school average daily membership (ADM) equivalent. Only pupils who are residents of the district are counted for aid purposes.

The "third-Friday membership" is counted, by statute, on the third Friday in September. Membership is very similar to enrollment, except that kindergarteners are counted as half pupils in membership. Membership, like enrollment, is not concerned with whether the pupils happen to be present on the third Friday in September; they are counted if they are on the district's rolls on that day.

The summer school ADM equivalent can best be illustrated with an example. Suppose a pupil enrolls in two summer school courses, each of which meets five days a week for six weeks. He will then have been enrolled for a total of 60 class periods (2 classes per day times 5 days per week times 6 weeks). ADM equivalence for the summer session can be found by comparing the 60 periods above to the number of periods the average pupil would attend during the regular school year. If we assume that the average pupil attends four periods a day for 180 days, then the typical school year consists of 720 class periods. Our summer school pupil has attended 60/720 or 1/12 the number of class periods which he would attend in a regular school year. The school district thus can count him as 1/12 pupil in its summer school ADM equivalency.

3. *Shared Cost.* The shared cost is the cost of education in the school district which is to be shared between the local property tax and general state aid. Shared cost consists of two components.

First, there is the net operating cost. This is the cost of operating the school district during the current school year (including expenses like

administration, instruction, transportation, maintenance, etc.), minus operating receipts, which serve to offset the operating cost (items like state categorical aid, federal aid, student fees, income from ticket sales, etc.)

Second, there are the non-operating costs, consisting of annual capital outlay and principal and interest payments on long-term indebtedness.

The shared cost consists of the non-operating costs, not to exceed $100 per member, plus the net operating cost.

4. *Primary ceiling cost per member.* The primary ceiling cost per member is defined as 110% of the previous year's state average shared cost per member. This value is determined by the Department of Public Instruction on the basis of reports submitted to it by local school districts each year.

5. *Primary guaranteed valuation per member.* This is a figure established by the legislature. The theory and implications of guaranteed valuation and general aid will be discussed in the next section.

6. *Secondary guaranteed valuation per member.* This is the state average equalized valuation of property per member.

Theory of General Aid

There are four features of general state aid which form its basis: (1) the state allows the local district to determine the local educational program, provided it meets state minimum standards. The implication is that each district, having decided upon the program it will offer, has established its own cost level; (2) the state shares the cost of the program with the local district; (3) the basis of sharing is the local district's ability to pay the cost as measured by relative property wealth; and (4) as mentioned at the outset, general state aid is intended as a supplement to the property tax.

To illustrate the last feature discussed above, suppose that we have three school districts, X, Y, and Z, each of which spends an average of $1000 per member for its total educational program. Let us further presume that school districts receive absolutely no general aid and must raise the $1000 per pupil entirely from local property taxation. Finally, assume that the three districts have widely varying equalized property valuations per member. The following illustration shows the tax impact on a $30,000 home.

District	Cost per member	Equalized valuation per member	Levy rate	Property tax on $30,000 home
X	$1000	$ 25,000 =	40 mills	$1200
Y	1000	50,000 =	20 mills	600
Z	1000	100,000 =	10 mills	300

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Under this arrangement, a taxpayer in a $30,000 home, getting a $1000 education for each of his children, would pay widely varying amounts of property tax, depending on the value of the property in his school district.

Wisconsin determined long ago that such a system is inequitable. Therefore, it established general state aid to help relieve the burden of property taxation. In effect, general aid substitutes, in place of the actual tax base of the district, a state-established tax base, called the "guaranteed valuation per member."

The following illustration shows what would happen to the same three school districts if the guaranteed valuation were set at $80,000 per member.

District	Cost per member	Guaranteed valuation per member	Levy rate	Property tax on $30,000 home
X	$1000	$80,000 =	12.5 mills	$375
Y	1000	80,000 =	12.5 mills	375
Z	1000	80,000 =	12.5 mills	375

The owner of a $30,000 home in District X would approve of this arrangement, because he would save $825 in property taxes. If the owner lived in District Y, his taxes would be $225 lower, but, if he lived in District Z, his taxes would be $75 higher.

The foregoing presents the situation from the taxpayer's viewpoint. Viewing the same process from the perspective of the school board, from the preceding illustration they know they will have to use a tax rate of 12.5 mills. How much money will this produce, compared to the $1000 per pupil they have budgeted?

District	Equalized valuation per member		Levy rate	Tax revenue per member	Difference between cost and tax revenue
X	$ 25,000	x	12.5 mills =	$ 313	$687
Y	50,000	x	12.5 mills =	625	375
Z	100,000	x	12.5 mills =	1250	-250

School District X can raise $313 per member from its own local tax base, which still leaves it short of funding its $1000 per pupil cost. The remaining amount — the $687 — is paid by the state in the form of general aid. Similarly, general aid to District Y would amount to $375 per pupil. In District Z, however, the local tax revenue is greater than the amount needed to pay for the school district's educational program. What does the district then do with the $250 per pupil difference? It pays the money to the state in the form of "negative aid." Such payments to the state are

included in the general aid appropriation for distribution to other districts. It should be noted that no school district in Wisconsin will be required to make a "negative aid" payment to the state until the 1976-77 school year.

Illustrations to this point have only identified one level of support. Actually, there are two — the primary and the secondary — each with its corresponding guaranteed valuation per member. The primary level of support is set by statute and applies to all of a school district's shared cost up to a specified level known as the primary ceiling. The secondary level of support is equal to the state average equalized valuation, and applies to costs over the ceiling. While the state does not prohibit districts from spending over the ceiling, neither does it wish to support such spending at as high a level as costs under the ceiling.

To illustrate the purpose of the secondary guaranteed valuation, assume that the three districts each spend $1400 per member, instead of $1000. Further, assume that the primary ceiling cost is $1200 per member and the secondary guaranteed valuation is $40,000 per member. The following levy rates result from the calculations.

Type of Cost	Shared cost per member		Guaranteed valuation per member		Levy rate
Primary	$1200	÷	$80,000	=	15 mills
Secondary	200	÷	40,000	=	5 mills
Total	$1400				20 mills

When rates derived above are applied to the equalized valuation of each district, that part of a district's shared cost which will be paid by local tax revenue may be determined. The remainder, as before, is paid by state aid.

District and type of Cost	Equalized valuation per member		Levy rate		Tax revenue per member	General state aid (difference between cost and tax revenue)
X Primary	$ 25,000	x	15 mills	=	$ 375	$825
X Secondary	25,000	x	5 mills	=	125	75
X Total	25,000	x	20 mills	=	$500	$900
Y Primary	$ 50,000	x	15 mills	=	$ 750	$450
Y Secondary	50,000	x	5 mills	=	250	- 50
Y Total	50,000	x	20 mills	=	$1000	$400
Z Primary	$100,000	x	15 mills	=	$1500	-$300
Z Secondary	100,000	x	5 mills	=	500	- 300
Z Total	100,000	x	20 mills	=	$2000	-$600

As before, in a school year prior to 1976-77, the negative aid payment of District Z to the state would be cancelled out. Since District Z would not have to make the $600 payment to the state, it would not have to raise the full $2000 indicated. Its levy would be limited to the $1400 it needs for its own purposes. With a $100,000 per pupil tax base, a levy of $1400 per pupil would be possible at a rate of 14 mills. (It is important to note that the negative aid payment which District Y experiences in its secondary cost is not cancelled out. It serves to reduce the positive primary aid.)

Calculation of General State Aid

Heretofore, for the sake of simplicity, the discussion and illustrations of state aid have been on a per-pupil basis. However, in actual aid computations per-pupil figures are avoided, since they are less precise than the full figures for cost and valuation. Calculation of general school aid for each school district can be divided into a number of steps, which are outlined below.

1. *Shared cost.* Shared cost is the net operating cost plus the non-operating costs not to exceed $100 per pupil. The source document for these figures is Part 3 of the Fall Report to the Department of Public Instruction, which contains the district's budget for the school year. (Aid payments are made on the basis of the district's budgeted expenses, and an adjustment for overpayment or underpayment is made the following year on the basis of the district's actual expenditures, reported to the DPI in the district's Annual Report.)

2. *Primary and secondary costs.* Once the shared cost has been determined, it must be compared to the primary cost ceiling, which is found by multiplying the primary ceiling cost per member times the district's membership. Two possibilities exist:

A. If the shared cost is *lower* than the ceiling, the primary cost is equal to the shared cost, and there is no secondary cost.

B. If the shared cost is *higher* than the ceiling, the primary cost is equal to the ceiling cost, and that portion of the shared cost above the ceiling becomes the secondary cost.

3. *Primary aid.* First, it is necessary to compute the primary guaranteed valuation, which is the statutory primary guaranteed valuation per member times the district's membership. Then the following formula is applied:

$$\text{Primary aid} = (\text{Primary required levy rate}) \times (\text{Primary net guaranteed valuation})$$

or:

$$\text{Primary aid} = \left[\frac{\text{Primary shared cost}}{\text{Primary guaranteed valuation}}\right] \times \left[\begin{array}{c}\text{Primary guaranteed valuation} \\ \text{minus} \\ \text{District equalized valuation}\end{array}\right]$$

If the primary aid results in a negative number (which will occur whenever the district's equalized valuation is greater than the primary guaranteed valuation), then the aid is changed to zero. Zeroing out will cease to be effective as of the 1977-78 school year.

4. *Secondary aid.* If a district has no secondary cost, this step can be skipped, otherwise, it is necessary to compute the secondary guaranteed valuation per member and the district's membership. Then the following formula is applied:

$$\text{Secondary aid} = (\text{Secondary required levy rate}) \times (\text{Secondary net guaranteed valuation})$$

or:

$$\text{Secondary aid} = \left[\frac{\text{Secondary shared cost}}{\text{Secondary guaranteed valuation}}\right] \times \left[\begin{array}{c}\text{Secondary guaranteed valuation} \\ \text{minus} \\ \text{District equalized valuation}\end{array}\right]$$

If the secondary aid results in a negative number, it is not zeroed out, unlike a negative primary aid.

5. *Total equalization aid.* Total equalization aid is simply the sum of primary aid and secondary aid.

6. *Transitional aid.* Certain changes in the school aid formula became effective in 1973-74. Although most districts benefited from the changes, a few did not. To ease the loss which these districts would experience, the legislature provided for "transitional aid" to pay back part of any money lost by the district under the formula detailed above. The legislature set a "base aid" value equal to the 1972-73 general state aid paid to the district plus the 1972-73 employer's share of teacher retirement and social security contributions paid by the state on behalf of the district. This 1972-73 base-aid figure will remain as a standard of comparison until 1981-82. If, in a given year, a district's equalization aid is larger than the 1972-73 base aid, it would receive no transitional aid, and this step could be skipped. However, if a district, in a given year, received less equalization aid than the 1972-73 base aid, the following formula would be employed:

Transitional aid = (Percent) x (Base aid minus Equalization aid)

The "percent" in the above formula decreases by 10% steps, beginning with 90% in 1973-74, 80% in 1974-75, 70% in 1975-76, etc. To illustrate, assume that in 1972-73 a district received $50,000 in general state aid and that the state paid, on behalf of the district, $30,000 for teacher retirement and $20,000 for teacher social security. Thus, the base aid totals $100,000. Assume further that, in 1975-76, the district's equalization aid is computed to be $20,000. Then using the formula:

Transitional aid= (70%) x ($100,000 - $20,000)

Transitional aid= (70%) x ($80,000)

Transitional aid= $56,000

7. *Zero minimum aid.* If a district's equalization aid was positive, this step may be skipped. If equalization aid was negative, but the transitional aid offset it, this step may be skipped. If the transitional aid did not completely offset negative equalization aid, then an additional amount, called "zero minimum aid" is paid, sufficient to bring the total up to zero. Zero minimum aid will cease to be effective in the 1976-77 school year.

8. *Non-resident summer school aid.* Districts also will receive $88 per non-resident high school pupil and $70 per non-resident elementary pupil in ADM equivalency for the previous summer session.

9. *General aid.* General aid is the sum of equalization, transitional (if any), zero minimum (if any), and non-resident summer-school (if any) aid. For the large proportion of Wisconsin's districts, the general aid and the equalization aid are identical.

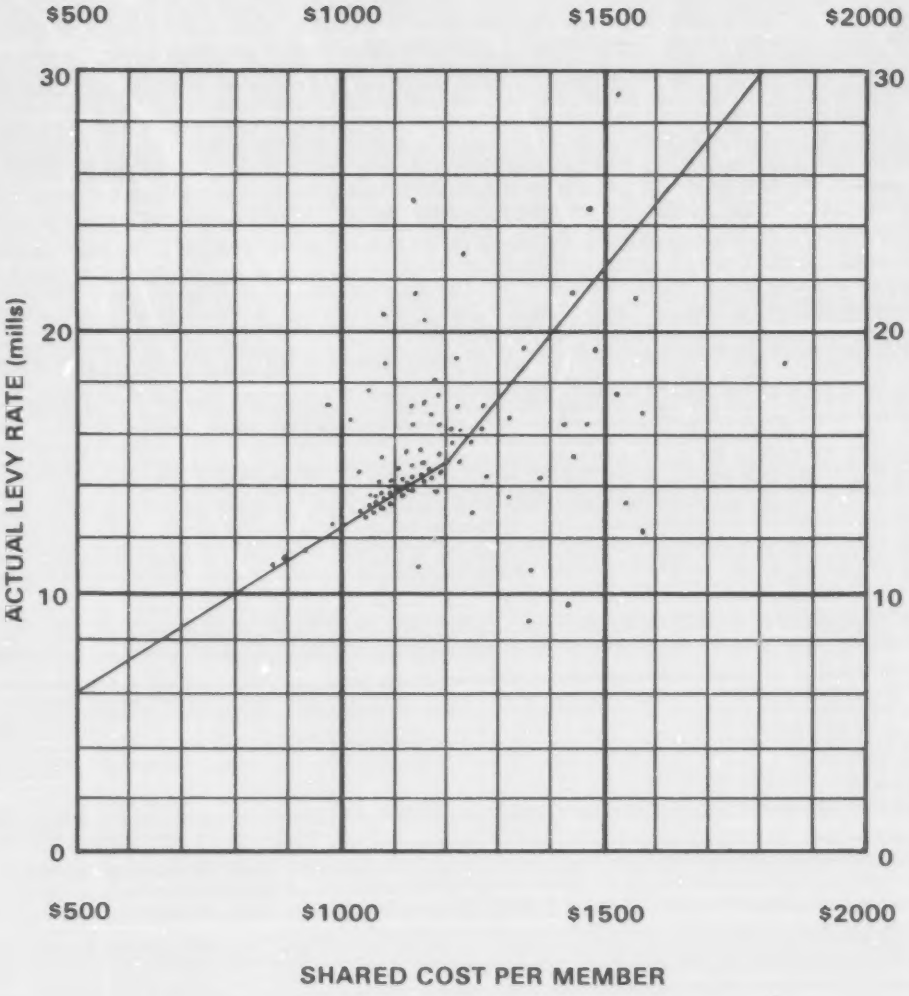
Summary

The general aid formula aims toward an ideal which may be briefly stated in a few sentences. The local district will establish its own educational program. The educational program will require a certain level of spending (shared cost per member). The spending level will exactly determine the amount of tax effort the district will have to make (levy rate). Districts which choose to spend at the same level will have to tax at the same level.

How close does the present formula come to this ideal? Assume again that the guaranteed valuations are $80,000 for primary and $40,000 for the secondary, and that the primary ceiling cost per member is $1200. In a hypothetical school year with the above-stated conditions, we could graph each K-12 district's levy rate against its shared cost per member, as shown in the accompanying figure.

Notice that a bent solid line runs through the middle of the graph. This line represents the ideal. It shows that, if a district chooses to spend $1000 per pupil, its levy rate will be 12.5 mills ($1000 divided by $80,000). If it chooses to spend $1200 per pupil (the primary ceiling cost), its rate will be 15 mills ($1200 divided by $80,000). Beyond the $1200 (15 mill) mark, the tax rate increases more rapidly, since the lower, secondary guarantee of $40,000 is in effect for these costs.

As the graph shows, most of the K-12 districts in the state would be clustered on the line representing the ideal. But what about the districts which deviate from the ideal? These can be divided into two categories:


$500
$1000
$1500
$2000
30
20
10
0
ACTUAL LEVY RATE (mills)
SHARED COST PER MEMBER

those above the line and those below it. Districts above the line have non-operating costs in excess of $100 per member. Such costs do not affect the shared cost per member, since the state does not share in non-operating costs which exceed $100 per member. But those costs do affect the tax levy, since districts must pay for them exclusively from local property taxation. This means the district will have a mill rate above what would be expected solely from the shared cost per member. Districts below the line have lower mill rates because they receive transitional aid in addition to their equalization aid. Gradually, over a ten-year period, these districts will move closer to the line until 1982-83 when there will be no districts below the line.

Chapter VIII

PROGRAM BUDGETING

PPBS: Definition and Purpose
PPBS Budget Cycle
Program Budgeting Rationale
Advantages and Disadvantages of Program Budgeting

Chapter VIII

PROGRAM BUDGETING

A budgeting process which has received impetus in recent years is the concept of program budgeting. Although the idea is not new, it has been only since the Department of Defense, various other governmental agencies and a few private businesses adopted program budgeting that it was thought to be a concept which would be appropriate for school districts. Program budgeting is not the only acronym which has been applied to the concept. The most familiar is Planning Programming Budgeting Systems (PPBS). Others include Educational Resources Management Systems (ERMS), Means-Ends Analysis (MEA) and Resource Allocation Decision System (RADS). The originators and implementers of each of these respective systems would suggest that their system's approach differs from other budgeting and operating system concepts. The concern here, however, is to further an understanding of the process of program budgeting or PPBS and how it might be used in school districts.

PPBS: Definition and Purpose

The educational finance crisis of the late 1960's and early 1970's has resulted in a search for a better means of measuring and reporting to the public what it is purchasing with its tax dollars. National polls conducted during these years indicated the public thought that one of the most urgent problems confronting our educational systems was how to finance them. One conclusion stemming from the polls was that the public wants some proof that its schools are adequate. Thus, the nation's public schools began to feel the pressure for accountability. Public pressure for accountability has led nearly half the states to mandate some form of program budgeting, and many school districts are now in the process of implementing one type of system or another.

Program budgeting is identified as a systems approach. There is no reason to fear or be suspicious of a systems approach. Like a school system, it merely implies that there are several components or parts making up the whole. PPBS is a system's approach because it consists of planning, programming and budgeting all working together and all interrelated, just as buildings and sequential instructional programs serve as a system to meet the educational needs of a community. PPBS is not just another system of budgeting, although budgeting is an integral part. Its value lies in the fact that it is a system. Rather than thinking in terms of line items or individual components, a systems approach embraces all activities, tasks, goals, individuals, and programs of an identified system.

PPBS, then, is a sytems approach whereby available funds are allocated by programs that have objectives and priorities. It is a system that requires an evaluation of programs, goals, objectives and alternative means of achieving desirable results.

The systems approach relating to identifying problems, setting goals, developing programs and evaluating the results may be illustrated with a process model (see next page). Although the model does not reveal the interrelatedness of the system components, it does allude to the procedural steps a district must consider in this process. A part of program budgeting seeks to measure the degree to which program goals and objectives have been accomplished, the level of performance attained and the responsibility of those involved in the process.

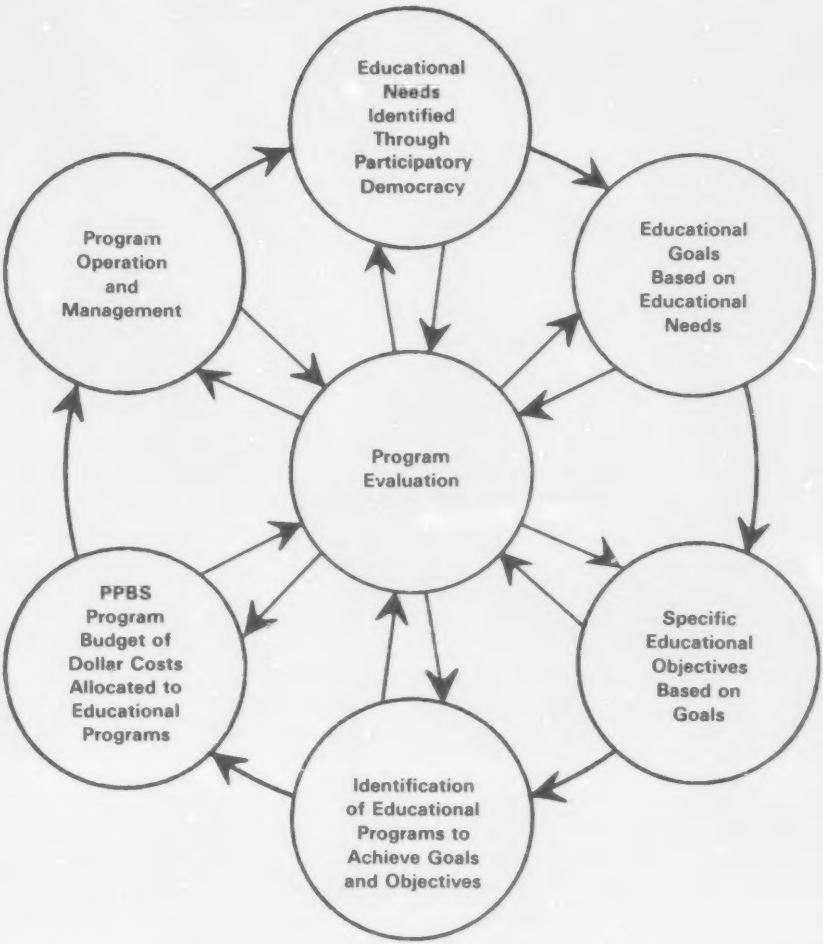
Program budgeting is a policy and management tool. The policy is set by the school board and managed by school district employes. The program budget should emphasize what is to be accomplished with requested funds and outline programs, goals, and objectives to assure that dollars are being allocated according to policy. One purpose of program budgeting is to make available to the public, in clear and concise form, the educational programs and services to be rendered together with their costs. A program budget should make clear *what the public will receive for its tax dollars rather than only what the educational system will buy with tax dollars.*

The PPBS Budget Cycle

As in the preparation, presentation, administration and evaluation of the traditional budget, a program budget has a cycle of events that should be followed, but which involves more functions, activities and time than does the traditional budget.

1. Through participatory democracy, the educational needs and problems of the school district are identified.
2. Problems and needs are expressed in terms of educational goals and general philosophy of purpose and intent.
3. Educational objectives are enumerated for each goal, and objectives should be quantifiable and measurable to the extent possible. In addition, a method of measurement, a method of evaluation and time framework for evaluation are specified.
4. When needs have been identified, goals formulated, and educational objectives specified, the PPBS programs are developed to accomplish the goals and objectives. Programs represent the first major division of a district's PPBS budget. Programs can be subdivided into related subprograms and further into activities and

The Program Budgeting Cycle


Educational Needs Identified Through Participatory Democracy
Educational Goals Based on Educational Needs
Specific Educational Objectives Based on Goals
Identification of Educational Programs to Achieve Goals and Objectives
PPBS Program Budget of Dollar Costs Allocated to Educational Programs
Program Operation and Management
Program Evaluation

Model Adapted from *Planning Programming Budgeting Systems: A Practical Approach*, by Orlando Furno, George J. Collins and George G. Brain, 1972, p. 22.

tasks, which are the finer gradations of the budget through which educational goals and objectives of the school district can be achieved.

5. Dollar cost figures are developed for the program budget in terms of cost centers, responsibility centers, special projects, programs, objects of expenditure, activities and tasks. The degree of costing will depend on the school district, its policies and the kinds of cost information necessary to enable a school board and district staff to make programming decisions.
6. The next step involves the operation and management of cost centers, projects, programs, etc. People manage and operate the district's educational programs. Whether these programs are successes or failures depends on how well persons manage and operate the resources of staff, building, supplies and equipment allotted to them.
7. Program evaluation is the last step in the PPBS cycle. Utilizing the results of evaluation needs, goals, objectives, resource allocations, and program costs can assist those responsible for making decisions regarding future programs and allocations.
8. The PPBS budget process then recycles in light of the recommendations growing out of the evaluation step.

Program Budgeting Rationale

The question of the viability of program budgeting should be posed before schools embark on implementation plans. Why should school districts adopt a program budgeting system? The Association of School Business Officials used the following rationale to develop its system.

1. Resources available to a school district generally are less than equal to the demands of the district.
2. School districts exist to produce sets of outcomes and to achieve specific changes in characteristics of students (knowledge, skills, attitudes, values and self-concepts).
3. Goals and objectives of school districts can theoretically be achieved in a multitude of ways (alternative program plans), some of which are more effective than others.
4. Productivity of school districts can be increased by learning activities and supporting services which are directed toward achieving previously defined goals and objectives.
5. Better decisions regarding selection of program plans and greater benefits result when the costs are considered on a long-term basis.
6. Better decisions regarding selection of program plans and greater benefits result when outcomes are systematically related to objectives.

Advantages and Disadvantages of Program Budgeting

There are no guarantees that a program budgeting system will be useful or practical in each school district that adopts some form of the system. Few districts in the nation have what may be regarded by experts as fully operational or comprehensive systems of program budgeting. There are arguments for and against the concept of program budgeting; therefore, it is the responsibility of each school district to determine whether the advantages of PPBS outweigh the disadvantages. Following is a list of advantages and disadvantages suggested by experts and practitioners as they have implemented and worked with districts that have operationalized a program budgeting system.

Advantages

1. PPBS puts the means to be accountable into the hands of educators. Demands for accountability are so strong that citizens may resort to those outside the schools for answers about whether their schools are performing and producing.
2. By implementing PPBS school boards can systematically assess the performance of their schools and, in turn, can better determine future costs and interpret school budgets to their constituents.
3. Administrators have found that PPBS enables them to account for their actions. As a management tool, PPBS provides a school staff with a means for short and long range planning, assessment of needs, determination of goals, definition of objectives, evaluation and the allocation of resources.
4. Involvement is the special advantage PPBS gives to teachers and support staff. A properly functioning program budgeting system involves teachers in policy and goal formulation, in program design and in short and long-range planning.
5. A PPB system requires that teachers identify behavioral objectives, terminal behaviors, instructional methods, planning time needs, alternative programs for different student populations and test criteria for evaluation. PPBS procedures require detailed, integrated, alternative-proven instructional programs that are written and can be evaluated in terms of performance. The role the teacher plays in this process is invaluable and will help him perform better; thus, the teacher, students and school district benefit.
6. PPBS provides for involvement and participation of the community as it does for the teachers, but more important it enables the public to understand costs, their utilization and rationale. The traditional way to budget doesn't really provide the answers because it does not

ensure a systematic effort to specify whether the school district is getting what it wants and needs. The current budgeting system used in most districts — the object-function system — emphasizes the functional usage of resources, but there is little attempt to discover how the resources are used and it is very difficult to determine what programs or subprograms exist and whether they are properly funded.

7. Cost effectiveness data, when provided under a PPB system, will help educators discover which programs are working, what alternatives are available for improvement and what priorities should be established for the allocation of scarce resources.
8. Legislators and other officials will be better prepared to ask critical questions of those expending the state's funds at the local level. Educators and school boards will be better prepared for defending policies and priorities established as a part of program budgeting.
9. More information should be available to decision makers at critical desision points, leading to more informed or less uncertain decisions.
10. The total cost of programs and activities will be identified, which is in contrast to current budgeting and accounting practices which conceal many costs.

Disadvantages

1. PPBS is not a panacea for solving all the problems of schools. Anyone looking for explicit answers to hard problems will be disappointed. Organizational problems, for example, may not be solved by adopting program budgeting.
2. Inherent in the concept of program budgeting is the idea of long-range planning, which is subject to errors and miscalculations.
3. PPBS will require a great deal of administrative and staff time if it is to be implemented properly. Time is a valuable and expensive factor and should be a resource which is not wasted.
4. The natural resistance of people to change is a disadvantage not to be ignored. Inadequate communication between proponents and opponents of PPBS will lead to its demise.
5. The stress on outputs or results often tends to disregard the less tangible educational outputs. There may be too much emphasis on the measurement of cognitive skills while disregarding the affective domain of students. Such characteristics or improvements in self-concept, values, attitudes and social behavior may be ignored in the

process in order to attain the more measurable subject-matter achievement output.

6. The practice of placing dollar amounts on programs, goals, objectives and activities tends to be an overt indication of our overly materialistic society. It may result in more emphasis on costs of programs than their benefits.
7. PPBS is not a cost reduction system and cannot be implemented with the idea that tax dollars will be saved as a result.
8. PPBS will require more detailed accounting practices and budget documents, which may imply more personnel and higher costs in the cental office.
9. There are few educators trained in systems analysis and in the operation of PPB systems. Staff members have to be carefully trained and the merits of PPBS have to be demonstrated before anyone can say with certainty that school districts ought to adopt it.
10. There is a lack of performance indicators. Very few competent cost-effectiveness analyses have been completed and even fewer are integrated into the program budgeting process.
11. There are unanswered conceptual questions such as the value of benefits over time, the discount rates that should be used and measuring and distinguishing between individual and social benefits.
12. There is a fear of centralized control, generating the wrong data and misinterpretation and misuse of data.

Chapter IX

PRORATING EXPENDITURES AND INDIRECT COSTS

Bases for Allocation
Common Allocation Problems
Housing Costs

Chapter IX

PRORATING EXPENDITURES AND INDIRECT COSTS

All costs of a program, whether direct or indirect, need to be considered in the budgeting process. The increased use of program budgeting configurations, greater utilization of school district facilities by community groups and the need to develop cost allocation plans in order to determine and recover the full cost of federal programs have all increased the importance of devising local expenditure proration and cost allocation systems. The following sections of the chapter will include a discussion of the bases used for allocation of costs, common allocation problems and determining housing costs.

Bases for Allocation

Whenever a financial transaction occurs, it is necessary to determine the account under which it should be recorded. If the transaction or expenditure is for a single purpose or a single program, the problem is not difficult. The monthly salary paid to a high school English teacher, whose responsibilities are entirely in the area of high school English, is not a difficult problem of accounting. Normally, one entry in the appropriate instructional account will suffice. However, a teacher who is employed by the district as a half-time kindergarten teacher and half-time on a Federal ESEA Title I project is another matter. This case may require prorating the monthly salary of this teacher into two or more accounts, depending on state accounting requirements and on the local school district's chart of accounts and accounting structure.

School districts have many services which are performed by individuals who serve more than one function or in more than one program. Districts also allow different organizations to share the same facilities as those used by the regular day schools. When a school facility is used for a vocational, technical or adult education (VTAE) class in the evening, there is the problem of determining what portion of the costs for light, heat, custodial services, etc., are properly an expense of the VTAE class. The school district may also need to establish policies and proration procedures regarding facility use for both profit and non-profit organization. Without established proration procedures, it is probable that some accounts will show no money being spent for services which are actually being provided and paid for and some accounts will show excessive sums of money being spent for the amount of services provided. There is a necessity, therefore, for determining the proportion of such costs that are properly chargeable to different accounts.

There are many methods used for prorating expenditures and each situation will dictate the most logical proration procedure. Generally, methods of proration have as a basis one of the following: (1) time, (2) average daily membership or pupils enrolled, (3) time-space, (4) time-consumption, (5) number of pupils, (6) mileage, (7) units consumed, (8) number of employes, (9) number of transactions, or (10) dollars. At certain times there may be expenditures to which these methods will not apply. In those instances, a method adjusted to particular local conditions, or modifications in the methods presented here may be necessary.

The following are illustrations of the most common bases for allocation costs among accounts or programs utilizing the selected services. The selection of one method over another should consider the additional effort and cost necessary to achieve a greater degree of accuracy; in other words, is the result worth the effort and cost consumed in the allocation process and will the district be able to use the results.

Suggested Bases for Allocating Costs

Type of Service	*Allocation Bases*
Budgeting	Hours spent on each program or unit
Data Processing	Machine and labor hours
Legal Services	Direct labor hours
Motor Pool Costs	Miles driven/days used
Equipment Repairs	Direct hours
Space Use (operation, maintenance, and depreciation)	Square feet of space used
Utilities and Fuel	Time-consumption
Management Services	Direct hours/days
Personnel Administration	Number of employes
Printing and Reproduction	Direct hours, job basis, pages, etc.
Health Services	Number of employes or pupils
Transportation	Number of pupils transported, pupils per mile transported
Pupil Services	Average daily membership (ADM)
Instructional Services	Time, pupils served, ADM

Common Allocation Problems

Assume that a school district employe works as both a custodian and a school bus driver. Normally this allocation problem is solved by determining the proportion of time spent on each of these activities. If this person devotes 6 hours a day to custodial duties and 2 hours a day to bus driver duties, then 75 percent of his salary would be recorded in the operation of plant account and 25 percent would be recorded in the pupil transportation account.

The proration of an instructor's salary could be done in one of several ways. Assume an instructor teaches English classes in both the high school and middle school. Normally, the average daily membership or number of enrolled students is the preferred method of allocating this person's salary between the two school levels, particularly if the school district is attempting to derive a cost per ADM by levels of instruction (elementary, middle, high school).

Similarly, assume a high school English teacher spends three English class periods a day with 60 pupils and spends three class periods a day teaching reading to 20 pupils in a high school educable mentally retarded program. Should the ADM method of prorating this salary be used as was identified in the previous example? Not necessarily, since it would result in an inequitable allocation of this instructor's salary in terms of the time and effort he expended in preparing for each of the programs. The more correct procedure in this instance would be to allocate his salary on the basis of the time spent teaching in each program, or, as in this example, 50 percent of his salary would be allocated to the English program and 50 percent to the EMR program.

The time-space method of prorating consists of allocating a part of an expenditure to a given activity in proportion to the gross area used by the activity and the length of time the floor area is used. Suppose it is necessary to prorate a $12,000 custodial expenditure between a high school regular program and a VTAE program that uses the same building. The regular school week is 25 hours, the gross floor area of the building is 30,000 square feet and the VTAE program uses 6,000 square feet for 5 hours per week. Assuming the VTAE program is after school hours, its share of the costs in terms of time would be 5/30 or 1/6 of the total time. Likewise the VTAE program's share of the space would be 6,000 of the 30,000 square feet or 1/5. The VTAE program's share of these costs would be calculated in the following manner: 1/6 x 1/5 x $12,000 = $400.

The proration of transportation costs presents some unique problems in allocating expenditures to various programs and groups. Generally, the

cost per mile method is used for charging transportation costs to various special events, field trips or athletic contests. Some school districts prefer to report regular transportation costs on a per pupil transported basis. This method, however, for comparison purposes does not give any indication of the miles pupils were transported. Conversely, transportation costs per mile do not tell how many pupils were transported. A better way of allocating and reporting transportation costs is to include both the pupils transported and mileage factors, i.e., cost per pupil per bus mile, although it results in a small figure.

School board policies regarding the various charges for the use of school facilities and services made to community organizations, both profit and non-profit, should be explicit enough to allow the administration to give inquiring organizations a direct answer. It is not a purpose of this handbook to tell school boards what they should charge for these services. Practices and policies vary substantially from one state or school district to another. Generally, school districts charge non-profit organizations the actual or direct costs incurred, whereas, profit organizations are charged both direct and indirect costs such as depreciation or debt-service costs. Some school districts have a policy of allowing certain non-profit community organizations the free use of its facilities, if the use does not cause an excessive direct cost and/or the organization agrees to maintain the facility used in its original before-use condition.

Housing Costs

School officials who desire to include housing costs in the full costs of operating programs must determine these costs and allocate them to the various programs housed in a building. Housing costs are defined as those costs of providing quarters to shelter students and employes during the process of instruction. Housing costs are the sum of the expenditures for operation, maintenance and depreciation.

The allocation of housing costs is not a great problem when an entire building is assigned to a particular program. But when two or more programs and administrative office space are included in the same building, prorations must be made. Library, storage, circulation and toilet space are shared equally in most buildings, while the administrative staff alone uses the space assigned to it. Therefore, the total building space, exclusive of that assigned to administration, is prorated among programs. A formula that may be used in computing the cost per program in a building is:

$$CP1 = \frac{P1\left[OMD - \frac{OMD \times OS}{BS}\right]}{BS - OS}$$

CP1 = Prorated cost of Program No. 1

P1 = Number of classroom square feet assigned to Program No. 1

OMD = Combined cost of operation, maintenance and depreciation allowance

OS = Number of square feet in the administrator's office

BS = Number of square feet in the building

Summary

The specific degree to which local school districts should prorate costs is a matter for local districts alone. Each school district will have varying needs for proration which will depend on the degree and preciseness of cost accounting and program accounting structured by the district. The express purpose of proration is to reveal information regarding the services and the benefits that are being obtained for the district's expenditures. It is advantageous, therefore, to prorate indirect costs to substantiate claims for reimbursement for federal programs and to be able to apply cost effectiveness criteria to program evaluation. The accurateness of proration increases proportionally as the amount of detail to be prorated increases. Even a few program centers with broad bases for allocation will provide valuable information for school officials responsible for managing educational enterprises.

FOR FURTHER READING

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Wisconsin Department of Public Instruction. *Uniform Financial Accounting Handbook for Wisconsin School Districts*. Madison, Wis., The Department, 1974.

Chapter X

CALENDAR OF BUDGETING AND FINANCIAL EVENTS FOR WISCONSIN SCHOOL DISTRICTS

Chapter X

CALENDAR OF BUDGETING AND FINANCIAL EVENTS FOR WISCONSIN SCHOOL DISTRICTS

The following chronology of events indicates those dates with which Wisconsin school districts need to be aware in planning their budgeting and financial operations for the year. Included are the dates which informational and financial reports are to be made to the State Superintendent of Public Instruction, dates of budget hearings and budget approval, dates of certifying tax levies, dates of state reports to school districts, etc. Most events in the list contain the statutory citation for the event; therefore, school districts should refer to the statutes to obtain exact provisions and wording.

JANUARY

January 1:

Start of fiscal year for city school districts. (66.121)

January 1:

The last day on which school districts are required to file the *Annual Report - Audit Statement* with the Department of Public Instruction covering the most recent fiscal year (July 1 - June 30). (120.14(1))

FEBRUARY

February 28:

At least 15 days prior to giving written notice of refusal to renew a teacher's contract, the school board shall inform the teacher by preliminary notice in writing that the board is considering nonrenewal of the teacher's contract and that, if the teacher files a request therefore with the board within 5 days after receiving the preliminary notice, the teacher has the right to a private conference with the board prior to being given written notice of refusal to renew the contract. (118.22(33))

MARCH

Second Monday in March:

On or before the second Monday of March, the town treasurer certifies to the township clerk the amount of school money to be apportioned by the clerk. (60.49(7))

March 15:

The school district treasurer shall transmit to the state treasurer on his own order the full amount levied for state trust fund loans within 15 days after March 15. The state treasurer shall notify the board of commissioners of public lands when he receives payment. Any such

payments not made by March 30 shall be declared delinquent and are subject to a penalty of 1% per month or fraction thereof, to be paid to the state treasurer with the delinquent payment. (25.09-1973)

March 15:

On or before March 15, town, city, and village clerks settle for all collections made on taxes and assessments. (74.03(5))

March 15:

After March 15 and prior to August 1 of each year, the school district may repay one or more installments on its State Trust Fund Loan in advance of due date. (25.02(4))

March 15:

On or before March 15 the school board shall give written notice of renewal or refusal to renew a teacher contract for the ensuing school year. If no such notice is given on or before March 15, the contract then in force shall continue for the ensuing school year. (118.22(2))

APRIL

April 15:

A teacher who receives a notice of renewal of contract for the ensuing school year, or a teacher who does not receive a notice of renewal or refusal to renew his contract for the ensuing school year on or before March 15, shall accept or reject in writing such contract not later than the following April 15. (118.22(2))

MAY

May 15:

Before this date, private schools must notify the public school district of any students to be transported to a private school during the next school term. (121.54(2)(b))

JUNE

Second Monday in June:

Town Treasurer shall forward to the clerk of each school district, in whole or in part in his town, a certified statement of the amount of money paid by the town treasurer during the year next preceding to such district treasurer, specifying the date and amount upon which each such payment was made. (60.49(8))

June 30:

Before this date the elementary districts must reimburse the U.H.S.

district for the costs of student transportation for private school students for the school term just completed. (121.54(8))

June 30:

At the close of each fiscal year, the school board shall authorize an audit of the school district accounts. (120.14(1))

JULY

July:

Annual meeting notice and budget summary - The clerk of a common or union high school district shall publish a class 2 notice (published twice, one week apart) of the time and place of the annual meeting, the last insertion to be not more than eight nor less than one day before the meeting. (120.08(1)) Budget summary and notice of budget hearing shall be published once, at least ten days prior to budget hearing. (65.90(3))

July 1:

Beginning of school fiscal year for common, union high, and unified school districts.

July 1:

If a school district received state aid amounting to 50% or more of its total receipts, it must submit on or before July 1 its budget to the DPI for approval for the next year. (121.18(1))

July 15:

First date for filing with the State Superintendent for advance payment of state school aids not to exceed 75% of its total state aid for the school year, provided the annual report of the school district for the previous school year has been filed. (121.19)

3rd Monday in July:

The date of the annual meeting for union high school district organizations (8:00 P.M.). (120.08(1)) Budget hearing is held at the time and place of the annual meeting. (65.90(4))

4th Monday in July:

The date of the annual meeting for common school district organizations (8:00 P.M.). (120.08(1)) Budget hearing is held at the time and place of the annual meeting. (65.90(4))

AUGUST

August 1:

Annually before August 1 the school clerk or Secretary of County Handicapped Children Education Board shall file with the clerks of the county and city, village or town of residence of non-resident handicapped children admitted to the program of the district or county a statement for tuition against the county. (115.82(3)(a) and (4)(a))

August 1:

The commissioner of public lands shall certify the amount of State Trust Fund Loans due from the school district directly to the clerk of the school district. The clerk will cause the amount to be added to the regular levy and collected in the same manner as the regular school tax. (25.09(2)(3)-1973)

August 1:

When a school district makes a trust fund loan under ss. 25.01 and 25.02(2), the Board of Commissioners of Public Lands shall, on or before August 1 of each year until the loan is paid, transmit to the school district clerk a certified statement of the amount due.(25.09(2))

August 1:

On or before August 1 of each year school districts shall file with the State Superintendent of Public Instruction the Annual School District Report. (120.18)

August 1:

Within 15 days after his election (on a board of more than three members), the treasurer of a common or union high school district shall file a bond with the board equal to at least 5 per cent of the school district budget. (120.16(1))

SEPTEMBER

September 30:

Annually, on or before September 30, the school board in a city school district shall make an estimate of the expenses of the public schools for the ensuing year and the amount which must be raised by city taxation and shall certify the estimate to the city clerk who shall submit the estimate to the common council at its next meeting. The common council shall consider such estimate and, by resolution, shall determine and levy the amount to be raised by city taxation for school purposes for the ensuing year. Such amount shall be included in the annual city budget and shall be called the "City School Tax." (120.51(1))

OCTOBER

October 1:

Annually on or before October 1, the full value of the taxable property in each school district, in each part of a city, village and town in a joint school district and in each city authorized to issue bonds for school purposes, including territory attached only for school purposes, shall be determined by the Department of Revenue according to its best judgment from all sources of information available to it and shall be certified by the department to the State Superintendent and by the State Superintendent to the school district clerks. (121.06-1973)

October 1:

On or before October 1, the school clerk shall file a *Fall Report* with the State Superintendent stating number of pupils enrolled and number of teachers employed on the third Friday of September and the estimated budget for the current school year. (121.05)

October 1:

Annually on or before October 1 the school district clerk shall file with the Department of Public Instruction a report stating the number of pupils enrolled in summer sessions and a report of the transportation provided to and from summer classes. (121.14(2)(b) and (121.58(4))

October 15:

No later than October 15 the school administrator shall report the school census to the State Superintendent. (43.70)

3rd Monday in October:

On or before the third Monday in October the school board of a common or union high school district shall determine the amount necessary to be raised to operate and maintain the schools of school districts if the annual meeting has not voted a tax sufficient or has voted a tax greater than that needed for the ensuing school term. (120.12(3)-1973)

Last Working Day in October:

On or before the last working day of October the school district clerk shall certify the appropriate tax levy determined by the school board to each municipal clerk who shall assess the amount certified to him and enter it on the tax rolls as other school district taxes are assessed and entered. (120.12(3)-1973)(120.17(8)(a)-1973)

Chapter XI

SUGGESTED SCHOOL BOARD POLICIES RELATED TO BUDGETING & FINANCIAL OPERATIONS

Chapter XI

SUGGESTED SCHOOL BOARD POLICIES RELATED TO BUDGETING AND FINANCIAL OPERATIONS

A standard set of budgeting policies which could be adopted by all school districts is not practical nor advisable. The uniqueness of local district philosophy and mode of operations is inherent in the phenomenon of local control which should be maintained through the establishment of appropriate local education policies. To suggest that the policies which follow should be adopted in every school district would be contrary to the notion of local control. The policies which follow are suggested for the purpose of giving administrators and school boards ideas regarding the structure and topics for possible inclusion in a set of policies on budgeting and selected financial operations of a school district.

The list of policies is not exhaustive, as its purpose is not to provide comprehensive details of all practices. The variables of community size, geographic location, growth rate, socio-economic level, etc., all will affect the nature and content of a set of policies. Hopefully, school districts can draw upon the ideas presented here and generate policies which accurately represent their own practices and educational philosophy.

I. General Policies

A. It shall be the responsibility of the School Board to set policies regarding the school district budget which reflect the general philosophy and goals of the community and which provide a framework within which school officials can operate. Budgeting policies shall be established upon the advice and recommendation of the Superintendent of Schools and other personnel and citizens from whom the Board seeks counsel.

B. The local budget and budgeting process shall conform to all existing state and local requirements as set forth by the State Constitution, Statutes, State Department of Public Instruction and the local School Board.

C. The purpose of budgeting policies shall be to provide a systematized mode of budgeting procedures such that continuity is maintained from year to year and the public is kept reasonably well informed regarding the educational and financial operations of the school district.

II. Budget Preparation

A. The Superintendent of Schools shall have overall responsibility for the preparation and presentation of the annual budget to the

School Board. The Superintendent may delegate aspects of both the preparation and presentation to the Assistant Superintendent for Business Affairs and other qualified persons.

B. Each year the Superintendent and his staff shall prepare a budget calendar which specifies the dates budget requests from each employe, department, program and building unit must be ready for review. The budget calendar also shall specify the dates for Board review, public hearings, adoption and certifying a tax levy.

C. The Superintendent and others responsible for budget preparation shall assure that each building unit, each department and each school district employe will have the means, either individually or through representation, of providing input regarding those budget items which directly affect them and their responsibilities.

D. The Superintendent and other persons designated by the Superintendent shall submit annually an estimate of capital outlay, debt service and facility requirements for each of the next two years, in addition to an annual budget. The two-year budget also shall include estimates of anticipated expenditures as a result of extensive changes in educational programming, staffing and policies. Estimates of local revenue needs based on trends and developments in federal, state and local laws, policies and economic conditions shall be included in the two-year budget.

E. Each building unit or department in the school district that is requested to determine its needs for the budget year shall arrange requests for equipment, materials, supplies, maintenance, etc. on a priority basis. The building or unit principal and department heads in consultation with their staffs shall determine a budget request priority list for their areas of responsibility. Budget requests shall specify a description of the item, number of units, unit cost, total cost and any unique characteristics which make it a non-standard bid item.

F. In the event that the School Board, Superintendent, principals and department heads must reduce or possibly increase the budget, priority lists will be used as a basis for instituting changes and those affected by the changes will be consulted.

G. If budget reductions are necessary, it shall be the policy of the Board and the Superintendent to pare requests and programs with a low priority rather than reducing several or all programs by a fixed amount or percentage.

H. The annual budget prepared by the Superintendent and his staff shall contain cost analysis data on the following unit and program bases.

1. Cost per student contact by subject matter area such as English, Social Studies, Science, Reading, Math, Vocational Education, Industrial Arts, etc. and by organizational level, i.e., K-5, 6-8, 9-12.

2. Total cost per pupil in average daily membership (ADM), transportation cost per transported pupil and per bus mile, maintenance cost per square foot by building, custodial costs per square foot by building, food service cost per meal served, capital outlay cost per pupil in ADM, debt service cost per pupil in ADM, community service cost per resident, athletic cost per pupil in ADM and per pupil served, and student activity cost per pupil in ADM and per pupil served.

I. The School Board and administration shall make an effort to insure that budget requests and needs are reflected accurately in the budget and are neither overinflated nor underinflated. The practice of "padding budgets" is not endorsed as a mode of operation in preparing the budget.

III. Budget Presentation

A. Presentation of the budget at public hearings, annual meetings and to fiscal control groups shall be the responsibility of one or more board members, the Superintendent, the Business Administrator and other school district employes or citizens whom the Board or Superintendent believe have knowledge regarding a particular aspect of the District's operations.

B. Budget documents prepared by the School Board and other school district officials and distributed at public meetings shall contain the following information and data.

1. Existing and relevant school district policies regarding the educational philosophy and broad educational goals.

2. A presentation of major program changes and justifications for those changes for the period of time covered by the proposed annual budget.

3. Estimates of future building, program, and revenue needs covering a two-year period as delineated in II D above.

4. School district enrollments by grade group covering the last five years and projected for the next five years.

5. Estimates of expenditures and revenues for each account specified in the State Accounting Handbook.
6. An account by account comparison of actual and estimated expenditures and revenues for a three year period up to and including the proposed annual budget.
7. A presentation of sources of revenue, amount and percentage of each source, and property tax rates on the equalized valuation for a three year period up to and including the proposed budget period.
8. A presentation of cost analysis data as delineated in II H above.

IV. Administration of the Budget

A. After the budget is approved it shall become the controlling document for all expenditures and receipts of the school district. The Superintendent and Business Administrator shall be responsible for assuring that all expenditures and receipts are recorded and accounted for according to the approved document. They also shall assure that the budgeted funds will be appropriated to those buildings, departments and personnel which the informal working budget established should receive the funds.

B. It shall be the policy of the School District to budget an operating balance roughly equivalent to two months operating costs for the purpose of meeting gaps between expenditure needs and revenue receipts. At such time that it is determined there is insufficient cash reserve to meet existing expenditure needs, the Business Administrator is instructed to borrow the necessary cash on a short-term basis at the lowest interest available.

C. The Superintendent and Business Administrator are instructed to invest any idle cash balances in legally prescribed securities for the period of time they will not be needed. Legal securities for which there is the greatest return on the investment for the investment period shall be used. Under no circumstances will the School District borrow money for the specific purpose of investing the money to make a profit.

D. In addition to meeting the State's legal requirements regarding the letting of bids on supplies, equipment, maintenance contracts and building contracts, it shall be the responsibility of the Business Administrator to obtain bids on any one item, group of related items, or contract which exceeds $1,000 in cost. The Business Administrator shall determine the most favorable time

to let such bids, prepare a set of specifications on each bid item, and insure that ethical and legal procedures are followed in advertising for and securing bids. The Business Administrator and his staff shall make every effort to secure the items and services that district personnel request. Rather than specifying the least expensive bid items, recommendations on the selection of vendors shall reflect reasonable quality and service expectations, i.e., the lowest and best bid which meets the specifications.

E. The Business Administrator shall be responsible for furnishing the School Board with a monthly report of the financial status of the school district. The report shall contain the status of each account in each fund including the amount budgeted, the amount expended, the amount encumbered and the unencumbered balance. In addition, a cash flow statement shall be prepared reflecting the cash status of the District, investments and interest earned on investments. Financial reports shall be delivered to each school board member at least three days prior to its regular monthly meeting.

F. Payment to any vendor for invoices totalling less than $500 shall not require a vote of the School Board. Payments exceeding $500 will require Board action prior to payment upon the recommendation of the District Administrator and the Board Treasurer or Board Clerk. The Business Administrator shall prepare a monthly statement of paid invoices and invoices outstanding and shall assemble for Board review all vouchers and documents related to individual payments exceeding $500.

G. No transfer of funds from one account to another account shall be permitted except after approval by two-thirds of the School Board. State laws and policies regarding the transfer of dollars from one account to another or from one fund to another fund shall be adhered to.

V. Evaluation of the Budget

A. The School Board shall make provisions for and expend the funds necessary to conduct an annual, comprehensive, and independent audit of all school district funds and accounts at the end of the budget year. The School Board may employ State auditing agencies or private auditing agencies to conduct the audit.

B. At the end of a budget year the Superintendent and Business Administrator shall prepare for the Board's review the unit costs and cost analysis data delineated in II H above.

C. At the end of a budget year the Superintendent and/or School Board may designate that specific school district programs be evaluated and recommendations made regarding the deletion, retention, maintenance, or improvement of these programs. The Superintendent shall be responsible for designating the evaluation personnel and securing the necessary reports and recommendations for the Board's review.

D. The School Board shall make a reasonable effort to secure all of the pertinent data and information regarding a program before any decisions or changes are made with respect to the allocation of resources for a program. Those personnel affected by decisions or program changes shall be consulted regarding the proposed changes.

APPENDICES

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APPENDIX A
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APPENDIX B

Statutory Provisions on Budgeting

There are several statutory provisions related to the budgeting and financial operations of Wisconsin school districts; therefore, it is not practical to enumerate and describe each statute in detail. Those provided below are the most critical and the reader will find additional statutory references in both Chapter IX and Appendix G. For explicit and comprehensive details of the statutes, the reader should obtain a copy of the *Laws of Wisconsin Relating to Public Schools*, published by the Wisconsin Department of Public Instruction.

Chapter 65 - Municipal Budget Systems

65.90(1)

Each city and school district and all other public bodies that have the power to levy or certify a general property tax or budget shall annually, prior to the determination of the sum to be financed in whole or in part by a general property tax, funds on hand or estimated revenues from any source, formulate a budget and hold public hearings thereon.

65.90(2)

Such budget shall list all existing indebtedness and all anticipated revenue from all sources during the ensuing year and shall likewise list all proposed appropriations for each department, activity and reserve account during the said ensuing year. Such budget shall also show actual incomes and expenditures for the preceding year, actual revenues and expenditures for not less than the first 6 months of the current year and estimated revenues and expenditures for the balance of the current year. Such budget shall also show for informational purposes by fund all anticipated unexpended or unappropriated balances and surpluses.

69.90(3)

A summary of such budget and notice of the place where such a budget in detail is available for public inspection and notice of the time and place for holding the public hearing thereon shall be published as a Class I notice, under Chapter 985, in the municipality at least 15 days prior to the time of such public hearing.

65.90(4)

Not less than 15 days after the publication of the proposed budget and the notice of hearing thereon a public hearing shall be held at the time and place stipulated at which time any resident or taxpayer of the governmen-

tal unit shall have an opportunity to be heard on the proposed budget. The budget hearing may be adjourned from time to time. In towns and school districts holding an annual meeting the time and place of the budget hearing shall be the time and place of the annual meeting.

65.90(5)

The amount of the tax to be levied or certified, the amounts of the various appropriations and the purposes for such appropriations stated in such budget, after any alterations therein made pursuant to the hearing required by this section, shall not be changed thereafter unless authorized by a vote of two-thirds of the entire membership of the governing body of such municipality, except that in the case of city boards of education transfers may be authorized by a two-thirds vote of such boards for funds under their control. Any municipality, excepting towns and one-room school districts, shall publish a Class I notice thereof under Chapter 985 within 10 days thereafter.

Chapter 120 - School District Government

120.08(1)(a)

Common school districts shall hold an annual meeting on the 4th Monday in July at 8 P.M. and union high school districts shall hold an annual meeting on the 3rd Monday in July at 8 P.M.

120.10

The annual meeting of a common or union high school district may vote a tax for sites, buildings and maintenance (6); vote a tax for transportation vehicles (7); vote a tax for operation (8); vote a tax for debts (9); vote a tax to create a sinking fund (10); and vote a tax for recreation(11).

120.11(3)

Before the annual meeting, the school board shall meet to examine the accounts of the school district treasurer and to prepare a full, itemized written report which shall be presented and read at the annual meeting. The report shall state all receipts and expenditures of the school district since the last annual meeting, the current cash balance of the school district, the amount of the deficit and the bills payable of the school district, the amount necessary to be raised by taxation for the support of the schools of the school district for the ensuing year and the amount required to pay the interest and principal of any debt during the ensuing year. The report shall include the budget summary required under 65.90.

120.12(3)(a)(c)

The school board of a common or union high school district shall on or before the 3rd Monday in October, determine the amount necessary to be

raised to operate and maintain the schools of the school district if the annual meeting has voted an insufficient tax or too great a tax for such purposes for the ensuing school term. The school district clerk shall certify the appropriate amount so determined to each appropriate municipal clerk who shall assess the amount certified to him and enter it on the tax rolls as other school district taxes are assessed and entered.

120.12(4)

The school board of a common or union high school district shall on or before the 3rd Monday of October, determine the amount necessary to meet any irrepealable tax obligations or other financial commitments of the school district not otherwise provided for. The school district clerk shall certify the amount apportioned to each appropriate municipal clerk who shall include the amount certified to him and enter it on the tax rolls as other school district taxes are assessed and entered.

120.14

Audit of school district accounts:

In a common or union high school district:

(1) At the close of each fiscal year, the school board of each school district shall authorize an audit of the school district accounts pursuant to (2) or employ a licensed accountant to audit the school district accounts and certify the audit. The cost of the audit shall be paid from school district funds.

(2) The school board may request the department of revenue in accordance with 73.10(5) to audit the school district accounts, install a system of accounts and advise and make recommendations concerning existing systems of accounts.

(3) The annual meeting may authorize and direct an audit of the school district accounts either by a licensed accountant or by the department of revenue.

120.18

Annually at such times as the department prescribes but on or before August 15, the school district clerk of a common or union high school district shall file a verified annual school district report with the department on forms supplied by the department.

120.49

In a city school district the school board shall have the powers and be charged with the duties of the school board of a common school district, as far as the same are not otherwise provided for or limited by statute.

120.49(4)

The school board of a city school district may estimate the expenses of the schools and prepare a budget, purchase sites for school buildings or other school uses and construct buildings or additions thereto. Such action shall be submitted to the common council for approval or, where applicable, to the fiscal board as provided for under 120.50. Title to all school property shall vest in the city (a). All money appropriated for school purposes shall be under the direction of and shall be expended by the school board (d).

120.50(3)

The fiscal board of a joint city school district shall have the power to approve the school budget, to levy the general property tax for school purposes and to exercise all other fiscal controls over the school district which were exercised by the common council prior to the establishment of the fiscal board.

120.51(1)

Annually, on or before September 30, the school board in a city school district shall make an estimate of the expenses of the public schools for the ensuing year and the amount which must be raised by city taxation and shall certify the estimate to the city clerk who shall submit the estimate to the common council at its next meeting. The common council shall consider such estimate and, by resolution, shall determine and levy the amount to be raised by city taxation for school purposes for the ensuing year.

120.53(1)

All property attached to a city for school purposes shall be taxed for such purposes the same as property within the city. The equalized valuation of the property of each municipality lying within the school district shall be the equalized valuation certified under 121.06(2).

120.54

In a city school district, the city clerk shall keep separate accounts of all money raised and apportioned for city school purposes and such money shall be disbursed in accordance with this section and 66.042. The school board shall present to the city clerk a certified bill, voucher or schedule, signed by the school board president and school district clerk, giving the name of the claimant and the amount and nature of each claim. Upon such certification, the city clerk shall issue proper orders to the city treasurer, who shall pay them from the proper funds.

120.75

The public schools of a unified school district shall be under the management, control and supervision of a school board. The school board shall have the powers and duties under 120.12 to 120.17, 120.19 to 120.22 and 120.58. No annual meeting shall be held in a unified school district but the school board shall have the powers of the annual meeting under 120.10. Annually, the school district clerk shall file the annual report required under 120.18.

Chapter 121 - School Finance

121.05(1)

Annually on or before October 1, the school district clerk shall file with the Department of Public Instruction a report stating the number of pupils enrolled and the number of teachers employed in the school district on the 3rd Friday of September of the current school year and the estimated budget for the current school year.

121.06(1)

Annually on or before October 1, the full value of the taxable property in each school district, in each part of a city, village and town in a joint school district and in each city authorized to issue bonds for school purposes, including territory attached only for school purposes, shall be determined by the department of revenue according to its best judgment from all sources of information available to it and shall be certified by the department to the state superintendent.

121.06(2)

The state superintendent shall certify to each school district clerk the appropriate full values certified to the state superintendent under (1) above.

121.18(1)

If in a school year the state aid received by a school district exceeded 50 percent of the total receipts of the school district, the budget for the next school year shall be filed with the state superintendent on or before July 1 for his approval unless the state superintendent permits submission at a later date.

121.18(2)

The Department of Public Instruction annually shall review the estimated budgets of at least one-third of those school districts in which it finds the per pupil cost to exceed the state-wide average by $100 or more and for any such school district may determine to reduce or eliminate, for

state aid purposes, any cost which the state superintendent finds to be extreme. The state superintendent shall notify the school district immediately upon making a decision to reduce or eliminate a cost for state aid purposes.

121.19

Upon request of a school board filed on or after July 15 and if the annual report of the school district for the previous school year has been filed, the state superintendent upon his determination of need may grant advance payment of the state aid payable to the school district in an amount not to exceed 75 percent of its total state aid for the school year.

APPENDIX C

Illustration of a Budget Calendar

Following is an illustration of a budget calendar as it might exist in a Wisconsin school district. The illustration is for a school district on a fiscal year (July - June 30) basis but could easily be adjusted for districts whose fiscal year corresponds to the calendar year. The budget calendar illustrated below is only an outline. School districts should supplement an outline with documentation on what is expected at each stage and designate those individuals responsible for each step on the calendar.

The budget calendar does not assure a problem-free budget preparation period but it does provide a structure for staff member participation and for decision making in the budgeting process. The calendar which follows illustrates that budgeting is indeed a continuous and year-around process.

Budget Calendar

August 15:

Central office prepares and school board approves the budget calendar for the following year.

September 1

Begin maintenance survey to determine needs for alterations and improvements of buildings and grounds. Maintenance forms to be provided by the central office by this date. Requests for maintenance, alterations, renovations, etc., may be made until February 1.

September 15

Begin salary discussions with representatives of employe groups and continue until agreements have been reached. Target date for completion is April 1.

September 30

Central office has prepared and distributed budget request forms for textbooks, supplies, equipment, and standard supply and equipment request lists. Budget requests from teachers and department heads are due in the principal's office by February 15.

October 30

Conduct discussion with principals, curriculum directors, supervisors and other staff regarding the educational program and staff-personnel needs. Consider per-pupil allocations, pupil-teacher ratios, special program needs, etc. Any program revisions and decisions on educational program and staffing patterns are to be made by March 1.

November 30

Conduct discussions with central office staff regarding responsibilities and needs for operation of the central office. Final decisions and requests are to be made by February 1.

January 15

Review progress of discussions on salary schedules and non-salary items with employe groups. Set target dates for resolving the various points under discussion.

January 15

Meet with all administrators, principals, and unit heads to review and inform them of budget dates and budgeting responsibilities for the next three months.

February 1

Budget requests for maintenance, building alterations, building renovations, etc. from each building are due in the central office. Decisions on central office needs are to be made by this date.

February 15

Budget requests for capital outlay, equipment, standard bid supplies and non-standard supplies are due in the principal's office.

March 1

All budget requests for supplies, equipment and textbooks are to be reported to the central office. This date is the final date for submitting any budget requests. All requests related to next year's budget will be in the central office by this date.

March 1

Make final decisions on educational program and staffing needs as they affect the budget and pursuant to the October 30 meeting.

March 1-15

Compile and summarize budget requests and dollar implications for the accounts affected by the requests.

March 15

Conduct budget work session with principals, unit heads and building representatives to resolve budget request conflicts, alterations in budget requests and the establishment of priorities for budget requests.

April 1

Conclude discussions with employe groups and determine the salary and non-salary dollar implications for the budget.

April 7

Conduct a budget work session with the school board with an emphasis on explaining and justifying budget requests and expenditures.

April 14

Conduct a budget work session with the school board with an emphasis on the estimated receipts and revenues for next year.

April 21

Conduct a budget work session with the school board for the purpose of finalizing revenue and expenditure needs and estimating the effects on local tax rates.

May 1

School board holds a public meeting at which it tentatively approves and adopts the working budget.

May 1-15

Central office prepares the budget document used for public meetings and public presentations.

May 15

Central office staff and school board meets with the entire school district staff, distributes the budget document, explains the budget and responds to questions.

May 15-July 1

Informational public meetings at the discretion of the school board with community groups such as the PTA, Chamber of Commerce, Taxpayers Alliance, etc., for purposes of explaining the budget and receiving feedback from these groups.

July 7

Final approval of the budget by the school board based on public meetings with community groups.

July 14

First publication of the school district budget and notification of the date, place and time of the annual meeting in a local newspaper.

July 23

Second publication on the budget and annual meeting

July 25

Annual meeting of the school district to approve a local tax levy to raise the necessary local revenues required for the budget.

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October 1

Part III of the Fall Report, covering the estimated budget for the ensuing school term, is due in the office of the State Superintendent of Public Instruction.

October 24

(On or before third Monday in October) the school board shall determine the amount necessary to be raised to operate and maintain the schools if the annual meeting has voted a tax insufficient or too great for the ensuing school term.

October 31

(On or before the last working day in October) the school district clerk shall certify the appropriate amount of the levy determined by the school board to each appropriate municipal clerk who shall enter it on the tax rolls.

APPENDIX D

ILLUSTRATION OF A BUDGET STATUS REPORT

Expenditure Accounts

Date: December 31, 1974

Account	Appropriation	Expenditures to Date	Encumbrances	Unencumbered Balance
Administration				
1012	$ 65,000	$ 32,000		$ 33,000
1017	36,000	17,000		19,000
1030	4,000	3,000	$ 500	500
Instruction				
1113	300,000	145,000		155,000
1115	3,500,000	1,700,000		1,800,000
117	150,000	70,000		80,000
1140	100,000	80,000	5,000	15,000
1180	150,000	130,000	6,000	14,000
etc.				
Health				
1300	11,000	6,000	600	4,400
etc.				
Transportation				
1410	45,000	22,000		23,000
1420	85,000	42,000		43,000
etc.				
Operation of Plant				
1514	8,000	4,000		4,000
1518	340,000	165,000		175,000
1520	10,000	3,000	4,000	3,000
1537	40,000	25,000	5,000	10,000
etc.				
Repairs to Plant				
1618	75,000	35,000		40,000
1620	40,000	20,000	5,000	15,000
1654	37,000	21,000	6,000	10,000
etc.				
Fixed Charges				
1741	8,000	o	8,000	0
etc.	etc.	etc.	etc.	etc.

APPENDIX E
Revenue Sources for Wisconsin School Districts

Included in this Appendix is a listing of those revenue and non-revenue receipts that may be received into the school district during the course of the budget year. Sources and amounts of revenues will vary from one district to another depending on factors such as number of students, equalized valuation of property, expenditures, needs of students, kinds and operation of approved programs, etc. No two school districts in the state receive revenues in like amount or in like percentages. Sources and methods of distributing revenues will vary from one budget period to the next. The reader should understand that the following revenue sources existed at the time this handbook was written and may change in the future.

Revenue Receipts

Revenue receipts are additions to assets which do not incur an obligation that must be met at some future date, do not represent exchanges of real property for money, and are available for expenditure by the board of education. Except for certain federal distributions, which are receipted into clearing accounts and noted under federal revenue sources, the revenues listed under revenue receipts meet the preceding definition. As a general rule, if federal funds fully support a local district's categorical program, federal funds are shown as receipts in special clearing accounts.

I. Revenue From Local Sources

A. Revenue From Local Taxes

1. *Local Property Taxes.* Money received from levies during a current or prior year. Money collected from taxes on real and personal property during the current year.
2. *Public Utility Taxes.* Money received from another governmental unit (not a school district) derived from taxes levied on public utilities. The municipal clerk apportions four-elevenths of the amount he receives to school districts in the municipality on the basis of the proportion school district taxable property is of total taxable property in the municipality (79.04(1)).
3. *Forest Crop Tax Receipts and Forest Severance Tax Receipts.* Forest Severance Tax is paid when timber placed under the Forest Crop Tax Law is harvested (77.04(3)). On or before March 15 the town treasurer shall pay 40 percent

of all amounts collected to local school districts according to the proportion of acreage of forest crop lands located in each school district.

4. *National Forest Income.* Money received from town treasurers as a pro-rata share of National Forest Income (60.29(42)).
5. *Mobile Home Fees.* Fees received from mobile homes (66.058(8)). Ninety percent of the fees collected are distributed to local school districts according to the ratio which the school district tax levy is to the total tax levy for all purposes in the municipality.
6. *Payments in Lieu of Taxes.* Any payments made by county or state governments to compensate the school district for the inability to tax government-owned property within the district.
7. *Other Local Taxes.* Taxes not enumerated in the preceding accounts such as the Highway Privilege Tax levied in some communities.

B. Revenue From Transfers From Clearing Accounts

1. *Food Services.* The balance in the Food Services Clearing Account is closed out as revenue at the end of the year but is returned to the clearing account at the beginning of the next school year.
2. *Interscholastic Athletics.* Any excess of receipts over expenditures are reported as revenues and may be re-allocated in the next year's budget.
3. *Other Student Body Activities.* Any excess of receipts over expenditures for all activities (except class funds and those clubs whose funds are self-sustaining by membership dues) are reported as revenues and may be re-allocated in the next year's budget.
4. *Materials for Resale, Sale of Text Books and Revenue Producing Property.* Any excess of receipts over expenditures is reported as revenue and may be re-allocated in the next year's budget.

C. Miscellaneous Revenue From Local Sources

1. *Rental of Textbooks, Supplies and School Facilities.* Receipts from rentals are recorded as revenue.

2. *Student Fees and Fines.* Receipts from library fines, laboratory fees, conservation camp fees, etc. (except fees for adult classes) are recorded as deductible revenue receipts. Adult class fees are recorded as non-deductible revenue receipts.

3. *Tuition from Individuals Chargeable to Current Operation and to Building.* Money received from parents and guardians of non-resident pupils chargeable to current operation (deductible) and to buildings (non-deductible).

4. *Sale of School Buses and Other Transportation Receipts.* Revenue from the sale of school buses and student fees for extracurricular activity trips.

5. *Sale of School Furniture and Equipment.* Receipts resulting from the sale of equipment and furniture which will in turn be expended to replace the item sold.

6. *Other Revenue from Local Sources.* Revenues from permanent school funds, endowments, net earnings from all deposits and investments of current funds, gifts which are to be applied to current operating expenditures, sale of junk, refunds on current operating expenditures, etc.

II. Revenue From Intermediate Sources - Revenue from funds collected by an intermediate administrative unit or a political subdivision between school districts and the state, e.g., the county unit.

A. *County Transportation Aid.* Money received from county governments for the purpose of reimbursing a school district for transporting handicapped pupils to county operated handicapped programs.

B. *County Tuition Payments.* Tuition payments received from county units for operation (deductible) and building (non-deductible) expenditures of special education programs for special students in the county who transfer from one district to another to receive instruction (115.82).

III. Revenue From State Sources - Revenue from state sources only. Revenue received from the federal government through the state as a distributing agency is defined elsewhere.

A. *General State Equalization Aid.* The largest source of revenue from the state for most local school districts comes from the general state aid distribution. The basis for calculating general state equalization aid is a formula that

includes a consideration of the shared cost of local districts, equalized value of property in the school district, average daily membership and a guaranteed value of property established by the state for Wisconsin school districts (Chapter 121).

B. *Handicapped Children Aid.* Money received from the state for the education of handicapped children. There are many provisions in this aid program, but basically 70 percent of the costs necessary to employ qualified teachers, purchase special books and equipment and provide special transportation for handicapped pupils is reimbursable from the state.

C. *General Transportation Aid.* Revenue received for the transportation of regular pupils and special and general transportation aid for handicapped children. The provisions include varying aid levels for children transported 2-5 miles, 5-8 miles and over 8 miles; and for those transported less than and more than 91 days (121.58).

D. *State Tuition For Current Operation And For Buildings.* Revenue received for tuition (deductible) and for buildings (non-deductible) for pupils in children's homes, foster homes, and for children of parents who are employed at and residing on state or federal military camps, federal veterans hospitals or state charitable or penal institutions (121.79).

E. *Library Aid From Common School Fund.* Money received from the state distributed for the purpose of supporting the purchase of library books and materials and allocated on the basis of the total number of children between the ages of 4 and 20 years residing in the school district (Section II, Article X) (43.70).

F. *Driver Education Aid.* Money distributed on the basis of the number of students who have successfully completed the "classroom" and "behind the wheel" phases of the driver education program (121.15).

IV. Revenue From Federal Sources - All revenue received from the federal government either directly or through the state as a distributing agency, except reimbursement for school lunch and milk programs and other fully funded federal programs which are recorded as receipts in clearing accounts.

A. *Indian Education: Johnson O'Malley Funds.* Money received from the Bureau of Indian Affairs, Department of the

Interior, for education of pupils with one-quarter or more Indian blood who reside on federal, non-taxable land. To be eligible a school district must have 3 percent or more Indians as part of its Average Daily Attendance and at least 10 Indian students.

B. *Handicapped Children Aid - Title VI-B (PL 91-230).* Aid provided for approved projects for education of the handicapped. Proposals are submitted to the State Title VI-B Administrator. Receipts for this federal program are entered in a special clearing account.

C. *Elementary And Secondary Education Act-TitleI-(PL 89-10).* Aid provided to school districts with concentrations of low-income families to enable them to expand and improve educational programs designed to meet the special educational needs of educationally deprived children. Receipts are entered in special clearing accounts.

D. *Elementary And Secondary Education Act (ESEA)-Title II (PL 91-230).* Aid for both public and private schools to provide increased quantities of school library resources for the use of children and teachers. Receipts are entered in special clearing accounts.

E. *ESEA - Title III (PL 91-230).* Aid for public elementary and secondary schools on the basis of projects approved by the state for purposes of improving guidance, counseling and testing programs for pupils. Receipts are entered in special clearing accounts.

F. *Federally Impacted Area Funds - (PL 874 and 815).* Money received from the federal government for current operating expenditures (PL 874) and for building expenditures (PL 815) because of the impact of federal institutions and activities in the school district.

G. *Federal Vocational Aid (PL 90-576).* Money received through the State Department of Public Instruction as a partial reimbursement of operational (deductible) and certain capital expenditures (non-deductible) of approved vocational programs for job training and manpower development. The State Department of Public Instruction is the reviewing agency for proposals from school districts.

H. *Lunch Program Aid.* Includes distribution of money for Type A lunches served in school districts, for breakfast programs,

for special milk programs and distribution of USDA surplus and price support food items. Receipts are entered in special clearing accounts.

I. *Other Federal Programs.* In a given budget year there are several federal programs with provisions for distributing money to local schools, primarily through the auspices of the state education agency. Aid for vocational programs, NDEA programs, drug education programs, bilingual education programs, reading programs, dropout prevention programs, environmental education programs, etc., were available when this was written.

Non-Revenue Receipts

Non-revenue receipts consist of amounts received which either incur an obligation that must be met at some future date or change the form of an asset from property to cash and therefore decrease the amount and value of school property.

I. Sale of Bonds

A. *Sale of Bonds.* Money received for the sale of bonds, sometimes called "face value."

B. *Bond Premiums.* Money received by the sale of bonds above the face value.

C. *Accrued Interest.* Money received as accrued interest at the time bonds are delivered.

D. *Interest on Investments.* Money received as interest on the reinvestment of the proceeds of the sale of bonds and/or long term loans prior to the time they are expended.

II. Loans - Not for Current Operation

A. *State Trust Fund Loans.* Money received from the proceeds of state trust fund loans (chapter 25).

B. *Long Term Loans.* Proceeds from loans (e.g., promissory notes) which extend beyond the fiscal year in which the loans were obtained but which are not secured by bonds.

III. Miscellaneous Non-Revenue Receipts

A. *Sale of Real Property.* Proceeds from the sale of real property used for schools.

B. *Insurance Adjustments.* Money received from insurance covering casualty losses of school property from fire, theft or other causes.

C. *Capital Refunds.* Refunds made on capital expenditures from the current or prior fiscal years.

D. *Sale of Equipment and Furniture.* The proceeds from the sale of furniture and equipment that reduces the inventory are recorded as non-revenue receipts.

IV. Incoming Transfer Accounts - Receipts from Other School Districts

A. Receipts from Other School Districts in the State

1. *Tuition for Current Operation and for Buildings.*
2. *Transportation Receipts.*
3. *Net Cash Assets from Attached Districts.*
4. *Receipts for Other Services Provided.*

B. Receipts from School Districts in Other States

1. *Tuition for Current Operation and for Buildings.*
2. *Transportation Receipts.*
3. *Receipts for Other Services Provided.*

FOR FURTHER READING

Roberts, Charles T. and Allan R. Lichtenberger. *Financial Accounting: Classifications and Standard Terminology for Local and State School Systems.* Handbook II, Revised, OE 73-11800. Washington: Dept. of HEW, U.S. Govt. Printing Office, 1973, pp. 12-21.

Wisconsin Department of Public Instruction. *Federal Program Handbook.* Madison, Wis.: The Department, 1973, 75pp.

Wisconsin Department of Public Instruction. *Laws of Wisconsin Relating to Public Schools.* Madison, Wisc.: The Department, published biennially.

Wisconsin Department of Public Instruction. *Uniform Financial Accounting Handbook for Wisconsin School Districts.* Madison, Wis.: The Department, 1974, pp.1-8.

APPENDIX F

Illustration of a District Indebtedness Report

Date of Loan	Purpose	Original Issue	Principal Payments	Interest Payments	Total Payments	Annual Due Date	Balance June 30	
6-20-67	Jefferson Elementary Addition	$ 84,000	$ 5,000.00	$ 639.77	$ 5,639.77	6-20-76	(76)	$ 12,060.66
			12,060.66	452.27	12,512.93	6-20-77	(77)	00
6-18-66	High School Addition	60,000	6,000.00	195.00	6,195.00	6-18-76	(76)	00
6-1-60	Jefferson Elementary School	264,000	15,000.00	700.00	15,700.00	6-1-76	(76)	25,000.00
			15,000.00	437.50	15,437.50	6-1-77	(77)	10,000.00
			10,000.00	175.00	10,175.00	6-1-78	(78)	00
7-1-65	Kennedy Elementary Addition	48,000	3,000.00	525.00	3,525.00	7-1-76	(76)	17,000.00
			3,000.00	446.25	3,446.25	7-1-77	(77)	14,000.00
			3,000.00	367.50	3,367.50	7-1-78	(78)	11,000.00
			3,000.00	288.75	3,288.75	7-1-79	(79)	8,000.00
			4,000.00	210.00	4,210.00	7-1-80	(80)	4,000.00
			4,000.00	105.00	4,105.00	7-1-81	(81)	00
2-1-71	High School Addition	550,000	10,000.00	17,450.00	27,450.00	2-1-76	(76)	500,000.00
			15,000.00	17,100.00	32,100.00	2-1-77	(77)	485,000.00
			35,000.00	16,575.00	51,575.00	2-1-78	(78)	450,000.00
			40,000.00	15,350.00	55,350.00	2-1-79	(79)	410,000.00
			40,000.00	13,950.00	53,950.00	2-1-80	(80)	370,000.00
			40,000.00	12,650.00	52,650.00	2-1-81	(81)	330,000.00
			40,000.00	11,350.00	51,350.00	2-1-82	(82)	290,000.00
			40,000.00	10,050.00	50,050.00	2-1-83	(83)	250,000.00
			40,000.00	8,750.00	48,750.00	2-1-84	(84)	210,000.00
			35,000.00	7,350.00	42,350.00	2-1-85	(85)	175,000.00
			35,000.00	6,125.00	41,125.00	2-1-86	(86)	140,000.00
			35,000.00	4,900.00	39,900.00	2-1-87	(87)	105,000.00

			35,000.00	3,675.00	38,675.00	2-1-88	(88)	70,000.00
			35,000.00	2,450.00	37,450.00	2-1-89	(89)	35,000.00
			35,000.00	1,225.00	36,225.00	2-1-90	(90)	00
9-1-73	Washington Elementary Addition	150,000	12,000.00	4,493.20	16,493.20	9-1-75	(76)	127,000.00
			12,000.00	4,127.50	16,127.50	9-1-76	(77)	115,000.00
			13,000.00	3,737.50	16,737.50	9-1-77	(78)	102,000.00
			14,000.00	3,315.00	17,315.00	9-1-78	(79)	88,000.00
			15,000.00	2,860.00	17,860.00	9-1-79	(80)	73,000.00
			16,500.00	2,372.50	18,872.50	9-1-80	(81)	56,500.00
			17,000.00	1,836.25	18,836.25	9-1-81	(82)	39,500.00
			19,000.00	1,283.75	20,283.75	9-1-82	(83)	20,500.00
			20,500.00	666.25	21,166.25	9-1-83	(84)	00

Total District Outstanding Indebtedness as of June 30 Each Year
(Rounded)

1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
$681,067	$624,000	$563,000	$506,000	$447,000	$386,500	$329,500	$270,500	$210,000	$175,000	$140,000

APPENDIX G

Wisconsin Statutory Provisions for Authorizing Building, Bonding and Indebtedness Programs

Following are the Wisconsin statutory provisions that apply to school districts and to municipalities which build or borrow for school district purposes. The first section lists general statutes that apply broadly to all types of school districts. The second section lists statutes that apply to specific types of school districts in Wisconsin. The statutory provisions which follow often are not comprehensive; therefore, the reader is advised to refer to the specific statute in question to obtain a full understanding of the provisions.

I. General Statutes

Chapter 25 Trust Funds and Their Management

25.01(3)

Any trust funds may be loaned to school districts or boards of education to be used for the operation and maintenance of schools, erecting and remodeling school buildings and teacherages, in the purchase of teacherages, teacherage sites, schoolhouse sites, bus garage sites, transportation vehicles, bus garages, school equipment, or school playgrounds, or in refunding their indebtedness.

25.02(2)

Every loan to a school district may be made for such time, not exceeding 20 years, as is agreed upon between said school district and the board of commissioners of public lands, and for such amount as together with all other indebtedness of such district shall not exceed its allowable indebtedness. The principal shall be payable in approximately equal annual installments.

25.04

The annual interest and installments of principal of all loans from the trust funds shall be payable into the state treasury with other state taxes, or on or before August 15 of each year in accordance with 74.03.

25.05(2)

Applications for state trust fund loans by city school districts must be approved and authorized by not less than two-thirds of the board of education of any city and also by a vote of not less than two-thirds of all members of the common council of such city.

25.05(3)

Applications for state trust fund loans shall be approved and authorized

for a school district by a vote of a majority of its legal voters voting on such question. If such vote be taken at a special meeting, the objects thereof shall be clearly stated in the notice of the meeting.

25.09

Provisions for the collection from school districts of all outstanding trust fund loans are found in this section (revised 1973).

62.15

The statutory provisions for public construction, emergency construction, building plans, advertisement for bids, sureties, rejection of bids, specifications, and building contracts will be found under 62.15 and 66.29 related to public works.

Chapter 67 Municipal Borrowing and Municipal Bonds

The word "municipality" as it is used in this chapter includes city school districts, common school districts, union high school districts and unified school districts. This chapter does not include provisions for borrowing of monies belonging to the common school fund or the normal school fund.

67.03(1)

The aggregate amount of indebtedness, including existing indebtedness, of any municipality shall not exceed 5 percent of the value of taxable property located therein as equalized for state purposes except as follows:

(a) For any city authorized to issue bonds for school purposes, an additional 10 percent may be incurred for school purposes only.

(b) For any school district which offers no less than grades 1 to 12 and which at the time of incurring such debt is eligible for the highest level of school aids, 10 percent of such equalized value shall be permitted.

67.04(2)(b)

Cities may borrow money or issue bonds for the purpose of purchasing or erecting new school buildings, or adding to old buildings or to purchase school sites, school transportation vehicles or school equipment, or to do renovating, remodeling and repairing of existing buildings.

67.04(6)

Common school districts, union high school districts, unified school districts and city school districts may borrow money or issue bonds to purchase, erect or improve school buildings, teacherages or bus garages; to acquire schoolhouses, teacherages, bus garage sites or school playgrounds; to purchase school transportation vehicles; to refund indebtedness heretofore contracted.

67.05(1)

The governing body of any municipality about to issue bonds, except where initial action has already been taken by electors under 67.05(2), is required to adopt a resolution stating the amount and purposes of the bond issue.

67.05(2)(a)

The electors of any municipality, including school districts, may at any annual meeting, or at a special meeting, adopt the initial resolution prescribed under 67.05(1) without any prior adoption thereof by the governing body of such municipality.

67.05(3)

Every initial resolution in and for a city shall be offered and read at a regular meeting of the city council, shall be published as a class 2 notice under Chapter 985 within 60 days after such reading and shall be supported by at least two-thirds of all members of the council or two-thirds of all the votes of the fiscal board. School boards shall support said resolution by an affirmative vote of at least a majority of the members-elect of such governing bodies.

67.05(6)(a)

Subsections (2)(a) and (6) shall not apply to the issuing of bonds or the borrowing of money in excess of $5,000 by any school district which includes within its territory all or a part of a village or a city of the 3rd or 4th class or the territory of which is coterminous with that of a county containing no cities or villages but in all such cases the procedure shall be as follows:

a. The board shall direct its clerk to call a special election for the purpose of submitting the bond resolution to the electors for approval or rejection.

b. Notices of special elections shall state its purposes, amount of money to be raised, and the time, place and hours and shall be published at least twice, one week apart in a newspaper in said school district.

67.05(7)(b)

An initial resolution adopted by a common council or fiscal board may be submitted to popular vote or may not be submitted to popular vote, unless within 30 days after the recording of said resolution there shall be filed in the office of the city clerk a petition requesting such submission, signed by electors numbering at least 10 percent of the votes cast for governor in the school district at the last general election, as determined under 115.01(13).

67.06

Specifies the form and contents of bonds.

67.07

Specifies the maturity (not more than twenty years) of bond issues and place of payment.

67.09

Specifies the requirements for registering bonds.

67.11(1)

Every city or school district indebted on account of outstanding municipal bonds shall immediately after the issue of such bonds establish in their treasury a fund separate and distinct from every other fund, designated as the sinking fund for the particular bond issue, describing it, upon which the indebtedness arose, and shall maintain such fund until such indebtedness is fully paid or otherwise extinguished, but any money in said fund may be used to pay any amount of principal and interest becoming due and payable on said issue in any year.

67.12

Specifies the provisions for temporary borrowing and borrowing on promissory notes.

67.12(5)

Specifies provisions for emergency borrowing.

67.12(8)

The school board of any school district operating under the district system or unified school district plan may on its own motion, borrow money to meet the immediate expenses of maintaining public instruction. No such loans except loans made by town boards to school districts shall be made to extend beyond September 1 of the following year nor to an amount exceeding one-half the estimated receipts for the operation and maintenance of the school for the current school year in which the loan is made.

67.12(8)(a)

Whenever a school district shall have become entitled to state aids, tuition revenues or taxes levied, the district may pledge or assign all or portions of these revenues due but not yet paid as security for the repayment of loans required for operating purposes.

67.12(12)(a)

A school district may borrow on promissory notes for the purposes of

acquiring land, improving lands, enlarging or extending public works, purchasing equipment or machinery, or for general and current municipal expenses.

67.12(12)(b)

To evidence such indebtedness the city or school district shall issue to the lender its promissory note with interest not exceeding 7 percent per annum, payable within a period not exceeding 10 years following the date of issuance of said notes.

67.12(12)(e)(1)

The governing body of the school district or of a city borrowing for school purposes shall adopt and record a resolution approved by at least two-thirds of the members-elect of such governing body or two-thirds of all the votes of joint-city fiscal bodies provided under 120.50(2).

67.12(12)(e)(2)

The clerk of said school district shall, within 10 days thereafter, cause public notice of such adoption to be given to the electors in the district by publication as a class 1 notice, under Chapter 985. If within 15 days after such publication a petition for referendum on the resolution signed by 500 electors of the district or 20 percent of the number of district electors voting for governor at the last general election has not been filed, then such resolution shall be considered in effect.

II. Specific Statutory Provisions

A. Common and Union High School Districts

120.10

Powers of Annual Meeting

120.10(5)

Designate sites for school district schoolhouses or teacherages and provide for the erection thereon of suitable buildings or for the lease of suitable buildings for a period not exceeding 20 years with annual rentals as fixed by lease.

120.10(6)

Vote a tax to purchase or lease suitable sites for school buildings, to build, rent, lease or purchase and furnish, equip and maintain schoolhouses, teacherages or outbuildings for as many years as are required to pay any obligations approved or authorized.

120.10(10)

Vote a tax to create a sinking fund under 67.11 for the purpose of financing all current and future capital expenditures and for paying all

current bonded indebtedness for capital expenditures. A separate sinking fund shall be set up and such money shall not be used for any other purpose, except as provided under 67.11(1), or be transferred to any other fund except by a two-thirds majority vote of the total number of electors of the school district.

120.12

School Board Duties

120.12(4)

Determine the amount necessary to meet irrepealable tax obligations for retiring debt.

120.12(5)

Keep school buildings and grounds in good repair, suitably equipped and in safe and sanitary condition at all times.

120.13

School Board Powers

120.13(9)

Contract with or employ architects and engineers for the preparation of plans and specifications for school buildings, structures and other improvements to school district property and for all other related services.

120.19

School Building Corporations

120.19(1)

When authorized to do so by an annual meeting, the school board may make agreements with nonprofit corporations as follows:

(a) Convey, lease or sell part of a school site owned by the school district to the corporation which shall construct and equip a school building and then lease the land and building to the school district.

(b) Same as (a) above except that the corporation by purchase or by gift acquires land not owned by the school district and constructs and leases building and land to a school district.

120.19(2)

Leases shall not exceed 20 years and shall be based on annual rental, maintenance and ultimate purchase by the school district.

120.19(3)

Buildings, equipment, improvements and leasehold interest shall be exempt form taxation.

120.19(4)

The corporation may issue revenue bonds to pay for the purchase of sites and the construction and equipping of school buildings. Additional revenue bonds may be issued to pay the cost of construction of enlargements, additions or improvements. The bonds may be secured by a pledge of the revenues received from the rental of the school buildings to the school district.

120.19(5)

A school board may organize a nonprofit corporation under this section and Chapter 181. School board members may serve as incorporators, directors and officers of such corporation.

B. City School Districts

120.49

School Board Powers and Duties

In a city school district the school board shall have the powers and be charged with the duties of the school board of a common school district, as far as the same are not otherwise provided for or limited by statute.

120.49(4)(a)

School board has the power to purchase sites for school buildings or other school uses and construct buildings or additions with the approval of the common council or, where applicable, the fiscal board. Deeds and leases taken shall be in the name of the city and the title to all school property shall vest in the city.

120.49(4)(b)

The school board may select sites and employ architects and engineers for the preparation of plans and specifications for school buildings and adopt such plans and specifications.

120.49(4)(c)

An agreement made by the school board under 120.13(3) relating to common school district school board powers shall be approved by the common council or, where applicable, the fiscal board under 120.50.

120.55(1)

The construction of school buildings shall be let by the school board to the lowest responsible bidder, in accordance with 62.15, related to city public works. The school board shall possess the powers conferred by 62.15 on the board of public works.

120.55(2)

The alteration or repair of school buildings or other construction work,

the estimated cost of which exceeds $1,000, may be done either under (a) or (b).

(a) The work may be let by the school board to the lowest responsible bidder, in accordance with 62.15.

(b) Upon passage of an ordinance under 62.15, the work may be done directly by the school board without submitting it to bids.

120.56(1)

A city school district may establish a sinking fund for the purpose of financing the construction of school buildings. All money raised by taxation pursuant to this authorization shall be deposited by the city treasurer in a separate fund, designated a sinking fund, to be used to finance the construction of school buildings. Such money shall not be used for any other purpose, except as provided in 67.11(1) related to sinking fund sources and uses, nor shall it be transferred to any other fund unless either so authorized by adoption of a resolution by a three-fourths vote of the school board members and the adoption of a resolution by the common council approving the school board resolution or, where applicable, so authorized by a three-fourths vote of the fiscal board.

C. Unified School Districts.

120.71(1)

A unified school district may be established in accordance with 117.04 related to the creation of unified school districts, with 117.07 related to change of a common or union high school district to a unified school district or change of a unified school district to a common school district or with 120.50(1)(a) or (5) related to abolishment of a city school district and creation of a common school district or a unified school district.

120.75

The school board of a unified school district has the powers regarding facilities granted to electors at the annual meeting of common and union high school districts under 120.10. The school board shall not, in the name of the school district, issue bonds or incur other indebtedness without approval of the electors of the school district in any instance where the school board of a common school district is not authorized to do so.

APPENDIX H

Potential Contents of a School District Budget

Throughout the handbook several suggestions for budget document content were offered as being necessary for an adequate and comprehensive portrayal of a school district budget. The budget document's contents must contain the essential information, data and supporting evidence to allow the school's publics to grasp the significance and importance of the budget and the educational program it supports. The following enumeration of budget document contents illustrates the kinds of information and data a school district might include. The list is not meant to be exhaustive as there likely are other items or forms of presentation which could be used. On the other hand, it is unlikely any one school district will include all of the following items in its budget document. The list is suggestive, and, as such, allows school officials to select those items which reflect the case they are trying to present in support of the budget.

A. School District Philosophy, Goals and Policies

1. General philosophy and underlying goals of education in the school district.
2. The values and benefits to the community and the students of an adequate educational system.
3. An exception report and explanation of any substantial changes in the budget which the school district wishes to highlight as a reflection of an established policy, a change in policy or a new policy.
4. Results of community surveys and analyses of community expressions of educational needs and programs citizens would like to see their schools meet and offer.
5. An introductory budget document message which focuses the public's attention on particular goals the school district is attempting to reach with the current budget.

B. The Effects of Educational Programs, Pupil Needs, Economic Conditions, etc., on the Budget

1. Explanation and justification of the current regular and special education programs provided by the school district.
2. New educational program needs and expenditures to meet regular and special student needs.
3. A report of the results of standardized and criterion-reference measures of pupil performance.

4. Past and projected grade level and grade group enrollments of students and their affects on the budget.
5. Advancement ratios and dropout rates from one school year and one grade level to the next.
6. School district educational program priorities for the ensuing year and their effects on the budget.
7. Educational program needs that result in a need for additional facilities and staff members.
8. The effects of negotiations with employe groups on the budget.
9. The effects and adjustments for inflation on expenditure categories in the budget.

C. Expenditures and Revenues

1. An explanation and the rationale for budget expenditure and revenue increases and decreases.
2. Actual expenditures and revenues for the preceding year or years by account and/or account summary.
3. Actual expenditures and revenues compared with budgeted expenditures and revenues for not less than the first six months of the current year.
4. Estimated expenditures and revenues for the balance of the current year by account and/or account summary.
5. An explanation and justification of the differences between anticipated expenditures and revenues and actual expenditures and revenues for the current year and the previous year.
6. Estimated expenditures and revenues by account, account summary and program for the ensuing budget year.
7. Actual dollar and percentage increases or decreases in expenditure and revenue categories and/or educational programs between the ensuing year's budget, the current year's budget and last year's budget.
8. The percentage each account and/or program expenditures and revenues (i.e., federal, state and local) are of all expenditures and revenues.
9. A discussion of potential and/or new sources of revenue not included in the current or previous year's budget.
10. A discussion of the school district's policy and potential revenues from the investment of idle cash and fund balances.

D. School District Financial Status

1. The financial status of the school district at the close of the budget year, i.e., assets, liabilities and cash reserve.
2. All anticipated or unappropriated balances and surpluses for each fund of the ensuing budget year.
3. Consideration and justification of the current year's operating cash balance and the ensuing year's operating cash balance to meet gaps between revenues and expenditures.
4. The estimated affects of the ensuing year's budget on the tax rate on the equalized value of property in the school district.

E. Internal and External Cost and Program Comparisons

1. A comparision of wealth measures (e.g., property value per pupil, income per capital) and tax burdens with other school districts.
2. Comparison with and characteristics of other school systems or programs which are worth emulating.
3. A comparision of program costs and per pupil costs by grade level, and/or by grade group, and/or by building within the school district.
4. A comparison of program and per pupil costs with other school districts, assuming cost data are available from districts with similar programs, students, operations and socio-economic levels.
5. Criterion referenced test result comparisons between programs, grades and buildings within the school district and their implications for the educational program.
6. Standardized test result comparisons with other school districts and their implications for the educational program and expenditures necessary in the school district.
7. Comparisons of employe group salaries and salary schedules with other school districts and with other employe groups with similar training and experience.

F. Long Range Educational Program, Facility and Indebtedness Programs

1. Progress reports and target dates for current building programs and facility improvements.
2. Projected capital expenditure and facility plans for the next two to five years.

3. Projected educational program needs and plans for the next two to five years which are likely to have a significant impact on the budget.
4. An explanation and illustration of the current debt retirement schedule and an estimate of long-term indebtedness needs in the next two to five years.

APPENDIX I

Glossary of Terms

Following are brief definitions of many common terms used in the areas of budgeting, educational finance and accounting for revenues and expenditures in Wisconsin school districts. The terms are defined in the context of school district operations, although many definitions would apply equally well to other governmental levels. Many of the terms are unique to the operation of school districts in Wisconsin; therefore, it should not be implied that they necessarily incur the same meaning in other states.

Abatement: A reduction of a previously recorded expenditure or receipt by a refund, rebate or collection for loss or damage to school property.

Account: A descriptive heading under which are recorded financial transactions that are similar in terms of purpose, object, function or source.

Accounts Payable: Unpaid balances or invoices owed to private persons, firms or other governmental units.

Accounts Receivable: Unpaid balances or invoices owed to the school district by persons, firms or other governmental units.

Accrual Accounting: A basis for accounting under which revenues are recorded when earned or when levies are made and expenditures are recorded as soon as they result in liabilities, regardless of when the revenue is actually received or the payment is actually made.

Appropriation: An authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes.

Assessed Valuation: The parcel value or total value of property in a municipality as determined by the municipal assessor.

Assessment-Special: A compulsory levy made by a local government against certain properties to defray part or all of the cost of a specific improvement or service for the benefit of the property.

Assets: Anything of value owned by a school district, i.e., cash, land, buildings, equipment, etc.

Assets-Current: Assets which are available or can be made readily available to meet the cost of operations or to pay current liabilities, i.e., cash, temporary investments, taxes receivable, etc.

Assets-Fixed: Land, buildings, machinery, furniture and other equipment which the local unit intends to hold or use over a long period of

time. "Fixed" denotes probability or intent of continued use or possession and does not indicate immobility of an asset.

Audit: The examination of records and documents and the securing of other evidence for determining the propriety of proposed or completed transactions, ascertaining whether all transactions have been recorded and determining whether transactions are accurately recorded in the accounts and in the statements drawn from the accounts.

Average Daily Attendance (ADA): The aggregate days attendance of the school divided by the number of days school was actually in session for a given school year.

Average Daily Membership (ADM): The aggregate days of membership of the school divided by the number of days school was actually in session for a given school year.

Balance Sheet: A summarized statement, as of a given date, indicating the financial condition of a school district or a fund in terms of assets, liabilities and fund balance.

Bond: A written promise, generally under seal, to pay a specified sum of money (called the *face value*) at a fixed time in the future (called the *date of maturity*) and carrying interest at a fixed rate, usually payable semi-annually.

Bonds-Callable: Bonds with a special provision that allows school districts to retire bonds at an earlier date than the maturity date specified on the bond.

Bonds-General Obligation: Bonds issued by the school district which may be any type prescribed by law, i.e., serial, term, etc.

Bonds-Municipal: Bonds issued by governments and governing bodies of states, counties, municipalities and school districts.

Bonds-School Building Authority: Bonds issued by dummy corporations on behalf of school districts to construct and lease a facility to a district which in turn operates and maintains the building.

Budget: A systematized statement which relates the educational program to the expenditures and receipts anticipated in a fiscal period and supported by data and information reflecting the educational needs, philosophy and goals of a school district.

Budgeting Calendar: A sequence of events accompanied by calendar dates which specify when various budgeting activities are to be completed, who is responsible for each stage and what is to be accomplished by the specified dates (see Appendix C).

Budget Document: The instrument used by the budget-making authority to present a comprehensive financial program to an approving or appropriating body.

Budgeting: The process of developing and administering a budget.

Capital Outlay: An expenditure which results in the acquisition of fixed assets, additions to fixed assets or improvements of fixed assets.

Cash Accounting: A basis of accounting under which revenues are recorded only when actually received and cash disbursements are recorded as expenditures.

Categorical Aid: Educational support funds provided from a higher governmental level and specifically limited to (earmarked for) a given purpose, e.g., special education, transportation or vocational education.

Clearing Accounts: Intermediate accounts used to accumulate receipts or expenditures either for later distribution among the accounts to which such receipts or expenditures are properly allocable or for recording the net differences under the proper account, i.e., athletic accounts, food service accounts, school activity accounts, etc.

Common School Fund: All monies accruing to the state by virtue of Section 2 of Article X of the Constitution and all other monies paid into the State Treasury arising from the capital of the school fund, constitute the school fund. Distributions from the common school fund are made to school districts on the basis of the census report made by the district.

Community Services: Those services provided by the school district for the community as a whole or some segment of the community and which are not restricted to the public schools or adult education programs.

Contingent Fund: Assets or other resources set aside to provide for unforeseen expenditures or for anticipated expenditures of uncertain amount.

Contracted Services: Services rendered by personnel who are not on the payroll of the school district, including all related expenses covered by the contract.

Cost Accounting: Method of accounting which provides for the assembling and recording of all the elements of cost incurred to accomplish a purpose, to carry out an activity or operation, or to complete a unit of work or a specifed job.

Cost-Benefit Analysis: A means of assessing the worth of existing or proposed projects. The enumeration and evaluation of costs and benefits over a period of time is derived. Ideally, benefits should exceed

costs or benefits divided by costs should be greater than one. Measurement criteria are specified for the benefits, which may have short or long-term value.

Cost-Effectiveness Analysis: The cost of a particular activity or project related to effective performance or goal attainment. The decision maker chooses from among feasible alternatives on the basis of least cost and greatest effectiveness or selects the level of effectiveness desired for a given cost. Relating costs and effectiveness through means or processes, i.e., relating changes in skills to a given set of educational variables (program) at a given cost.

Credit: Accounting term that refers to making an entry on the right side of an account when a double entry system of accounting is used.

Current Operating Expenditure: Those expenditures necessary for the current operation of a school district during the course of one year and for the budgeted period of time. Normally, capital outlay and debt service expenditures are not included in current operating expenditures.

Debit: Accounting term that refers to making an entry on the left side of an account when a double entry system of accounting is used.

Debt Service: Expenditures for the retirement of debt and expenditures for interest on debt, except principal and interest of short term loans.

Deficit: The excess of the obligation of a fund over the fund's resources.

Direct Costs: Those elements of cost which can be easily, obviously and conveniently identified with specific activities, as distinguished from those costs incurred for several different activities or programs and whose elements are not readily identified with specific activities.

Double Entry: A system of bookkeeping which requires for every entry made to the debit (or credit) side of an account or accounts, an entry for the corresponding amount or amounts to the credit (or debit) side of another account or accounts.

Encumbrances: Purchase orders, contracts and salaries or other commitments which are chargeable to an appropriation and for which a part of the appropriation is reserved. They cease to be encumbrances when paid or when actual liability is incurred.

Equalized Valuation: The total value of property in a school district as determined by the State Department of Revenue.

Equipment: Any item of a non-expendable nature not normally consumed during the course of one year but which is either repaired or replaced when it is damaged or becomes obsolete.

ERMS—Education Resources Management System: A management system for educational resources developed by the Research Corporation of the Association of School Business Officials.

Expenditures - Non-operational: All school district expenditures as defined by the State Department of Public Instruction which are not used in the computation process for determining general state equalization aid.

Expenditures - Operational: All school district expenditures as defined by the State Department of Public Instruction which are used in the computation process for determining general state equalization aid.

Fiscal Period: Any period at the end of which the school district determines its financial condition and the results of its operation and closes its books. It is usually a year, though not necessarily a calendar year. The most common fiscal period for school districts is July 1 through June 30.

Fixed Charges: Recurrent charges not readily allocable to other expenditure categories, i.e., district contributions to employe retirement, insurance, social security contributions, rental of land and buildings and interest on current loans.

Fund: A sum of money or resources set aside for specific activities of a school district. For accounting purposes a fund is a complete entity with its own self-balancing set of accounts, i.e., endowment fund, general fund, revolving fund, sinking fund, special fund.

Fund - Endowment: A fund from which the income may be expended but whose principal must remain intact.

Fund - General: The fund used to finance the ordinary operations of the school district.

Fund - Revolving: A fund provided to carry out a cycle of operations. The amounts expended from the fund are restored from earnings from operations or by transfers from other funds so that it remains intact.

Fund - Sinking: Money which has been set aside or invested for the definite purpose of meeting payments on debt at some future time. It is usually a fund set up for the purpose of accumulating money over a period of years in order to have money available for the redemption of long term obligations at the date of maturity.

Fund - Special: Any fund set up for a special purpose, i.e., any fund other then the general fund.

Guaranteed Valuation: Statutory property tax guarantees to each school district in order to assure an adequate property tax base in each school district. The Guaranteed Valuation uses equalized valuation rather than assessed valuation as a base of comparison.

Incremental Budgeting: A system of developing budgets starting with the present level of expenditures and stipulating additions in dollars or percentage of gain.

Input-Output Analysis: An economic approach (econometrics) designed to examine the effect of changes in certain input variables to the outcome or output variables of the system under study. It is a form of systems analysis. Inputs are the resources employed to achieve objectives and outputs are the products of a program, often expressed numerically. This technique often disregards program or process components.

Instruction: Those activities dealing directly with the teaching of students or improving the quality of teaching.

Journal: Any form in which the financial transactions of the school district are formally recorded for the first time, such as the cash receipts book, check register and journal voucher.

Ledger: Contains all the accounts of a particular fund or all those detail accounts which support a particular general ledger account.

Levy: (Verb) To impose taxes or special assessment on property. (Noun) The total of taxes or special assessments imposed by a governmental unit.

Liability: A debt or other legal obligation arising out of transactions in the past which are payable but not necessarily due. Encumbrances are not liabilities; they become liabilities when the services or materials for which the encumbrance was established have been rendered or received.

Liabilities-Current: Liabilities payable within a relatively short period of time, usually no longer than a year.

Liabilities-Long Term: Liabilities payable over an extended period of time, usually longer than a year.

Line-Item Budget: A budget based on objects of expenditure such as salaries to be paid or equipment to be purchased which are placed on separate lines in the budget.

Loans-Long Term: A loan which extends beyond the fiscal year in which the loan was obtained and which is not secured by serial or term bonds.

Loans-Short Term: A loan which does not extend beyond the fiscal year in which the loan was obtained.

Note-Promissory: (See Bond) Similar to bond except that a bond normally runs for a longer period of time and requires greater legal formality.

Operating Balance: The uncommitted balance of a fund necessary to meet expenditure-revenue gaps. Synonymous with unappropriated surplus or unappropriated reserve.

Payments in Lieu of Taxes: Payments made out of general revenue by a governmental unit to a school district in the place of taxes it would have had to pay had its property or other tax base been subject to taxation by the local district on the same basis as other privately owned property or other tax base.

Petty Cash: A sum of money, either in the form of currency or that of a special bank deposit, set aside for the purpose of making change or immediate payment of comparatively small amounts.

Planning-Programming-Budgeting Systems (PPBS): A resources-processes-ends analysis tied to the budget. *Programming;* the determination of the manpower, materials and facilities required to support a program. *Planning;* relating means to ends by formulating rationally-feasible courses of action through a systematic consideration of alternatives. *Budgeting;* relating resources through documents to an organization's activities, outputs, services, missions, or programs. These are the major components of this systems approach. The analysis incorporates long-range planning, performance objectives, program and sub-program costing, alternative courses of action, cost accounting, and structural variability.

Posting: The act of transferring to an account in a ledger the detailed or summarized data contained in the cash receipts book, check register, journal voucher, or similar books or documents of original entry.

Prorating Costs: A method of distributing costs among and between programs, functions, activities, buildings and cost centers.

Purchase Order: A document which authorizes the delivery of specified merchandise or the rendering of certain services and allows a charge for the goods and services requested.

Receipts - Deductible: A term used in Wisconsin to indicate those receipts which affect part of the operational cost and are therefore subtracted from operational expenditures to determine the net operating cost which is used in the calculation of general state equalization aid.

Receipts-Non-deductible: A term used in Wisconsin to indicate those receipts which are not to be subtracted from the operational cost in the general equalization aid computation process.

Receipts-Non-revenue: Amounts received which either incur an obligation that must be met at some future date or change the form of an asset from property to cash and therefore decrease the amount and value of school property. Money received from loans, sale of bonds, sale of property purchased from capital funds and proceeds from insurance adjustments constitute most of the non-revenue receipts.

Receipts-Revenue: Additions to assets which do not incur an obligation that must be met at some future date and do not represent exchange of property for money.

Resources: Those things which have the capacity to contribute to the production of goods and services i.e., land, labor, capital and human capital.

Risk Management: Management of the insurance program of school districts related to covering the possible risks incurred by performing its functions and responsibilities.

Securities: Bonds, notes, mortgages or other forms of negotiable or non-negotiable instruments.

Serial Bonds: Issues redeemable by installments, each of which is to be paid in full, ordinarily out of revenues of the fiscal year in which it matures or revenues of the preceding year.

Shared Cost: A term used in the Wisconsin Statutes to specify that part of local school district costs in which the state will share.

Supply: A material item of an expendable nature that is consumed, worn out or deteriorates in use or that loses its identity through fabrication.

Supporting Services: Activities which provide administrative, technical and logistical support to a program. Supporting services exist to sustain and enhance the fulfillment of the objectives of other major functions.

Surety Bond: A written promise to pay damages or to indemnify against losses caused by the party or parties named in the document, through nonperformance or defalcation, i.e., a bond given by a contractor or by an official handling cash or securities.

Surplus: The excess of the assets of a fund over its liabilities or the excess of resources over obligation.

Tax Anticipation Notes: Notes issued in anticipation of collection of taxes usually retirable only from tax collections and frequently only from tax collections anticipated with their issuance.

Taxes Receivable: The uncollected portion of taxes which a governmental unit has levied.

Term Bonds: Bonds of the same issue, usually maturing all at one time and ordinarily to be retired from sinking funds.

Unappropriated Surplus: That portion of the surplus of a given fund which is not segregated for specific purposes.

Unencumbered Balance: That portion of an account not yet expended or encumbered; the balance remaining after deducting the accumulated expenditures and encumbrances from the account appropriation.

Unit Budgeting: Distributes accountability for certain expenditures among buildings or units of administration. Allows building principals and/or department heads to make a case for program expenditures on the basis of need, cost variations and other conditions. Synonymous with decentralized budget control.

Voucher: A document which authorizes the payment of money and usually indicates the accounts to be charged.

Voucher Payable: A document which authorizes payment and is posted to the appropriate account but has not been delivered to the payee.

Voucher System: The preparation of vouchers for transactions involving payments and for the recording of such vouchers in a special book of original entry known as a voucher register in the order in which payment is approved.

Warrant: A written order drawn by the school board or its authorized officer directing the school board treasurer to pay a specified amount to a designated payee.

Wealth: The total assets of a school district or commonly is an expression of the relative economic value of income or property in a school district, normally expressed in standard units such as property value per pupil or income per capita. Wisconsin uses the equalized value of property per pupil as a measure of wealth in a school district.

Zero-Base Budgeting: A process of budgeting that assumes every item and program expenditure in the budget must be justified as if it had not existed in a prior budget. Contrasted with incremental budgeting which assumes a school district starts with a previous year's level of expenditure as a base.

FOR FURTHER READING

Roberts, Charles T. and Allan R. Lichtenberger. *Financial Accounting: Classifications and Standard Terminology For Local and State School Systems*. Handbook II, Revised, OE 73-11800. Washington: Dept. of H.E.W., U.S. Govt. Printing Office, 1973, pp. 115-144.

Wisconsin Department of Public Instruction. *Uniform Financial Accounting Handbook For Wisconsin School Districts*. Madison, Wisconsin: The Department, 1974, pp. 129-139.

APPENDIX J

State Legislated Standards of Education

Chapter 90 of the Laws of 1973, established by the State Legislature, provided for certain school district standards which Wisconsin School Districts must meet in order to be eligible for state aids under 121.08 of the statutes. These standards are listed below and are found in 121.02 of the statutes.

1. Every teacher, supervisor, administrator and professional staff member shall hold a certificate, license or permit to teach issued by the Department of Public Instruction before entering on duties for such position.
2. Every teacher shall be paid at least the minimum salary and granted the sick leave specified in 121.17 and the district shall comply with sections 42.39 to 42.43, 118.01, 118.02, 118.07(2) and 120.13(14) of the statutes.
3. School districts shall provide a planned, continuous in-service program for the professional staff.
4. Provision shall be made for remedial reading services for under-achieving students in kindergarten through grade three.
5. School districts shall operate a 5-year old kindergarten program.
6. School districts shall operate, or be part of a cooperative, or otherwise make provision for special education programs for handicapped students identified in 115.76(1).
7. School districts shall make available guidance and counseling services.
8. School shall be held and students shall receive actual instruction for at least 180 days, with additional days included as provided in 115.01(10).
9. Provision shall be made for emergency nursing services.
10. School districts shall provide adequate instructional materials, texts and library services which reflect the cultural diversity and pluralistic nature of American society.
11. School districts shall make provision for safe and healthful facilities.
12. Provision shall be made for instruction in elementary and high schools by qualified teachers in health, physical education, art and music.

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13. A school district operating only elementary grades or operating only grades 9-12 shall levy a tax at a rate of at least 3 mills. A school district operating both elementary and high school grades shall levy a tax at a rate of at least 5 mills.
14. Union high school districts are exempt from standards 4 and 5 above, but are subject to all other provisions of 121.02.
15. A school district shall be in compliance with at least one-third of standards 1-13 by July 1, 1973; two-thirds of standards 1-13 by July 1, 1974; and all standards by July 1, 1975, except as provided in 14 above.

APPENDIX K

Dates for the Distribution of Revenues to Wisconsin School Districts

School districts in Wisconsin receive revenues from many different sources and on a variety of dates throughout the year. Provided below are the sources and approximate dates school districts can expect to receive payments. In some instances payment dates fluctuate due to the policies of governmental sources, fluctuating appropriation dates or administrative practices of sources. Distribution dates and methods of distribution are dependent primarily on local, state and federal government laws and statutes; therefore, the reader should keep in mind that changes in laws and statutes may change some of the provisions noted below.

I. Revenue Received from Local Sources

A. *Local Property Taxes* are received from the Treasurers of municipalities associated with the school district. The statutes (74.03(5)) provide that municipal treasurers are required to make a settlement on the payment of any property tax revenues by *March 15* of each year. Anything collected and due the school district must be paid by *March 15 and by the 15th of each month thereafter* until all property taxes collected by the treasurer have been paid to school districts.

Property owners pay property taxes in one of two ways. If the property owner makes one payment he must make that one payment by the end of February to the municipal treasurer. If the property owner pays his property taxes in two installments, he must make his first payment to the municipal treasurer by the end of January and must make his second payment to the county treasurer by the end of July. The foregoing implies that municipal treasurers have collected property taxes prior to *March 15*. School districts may, *prior to March 15* and with a letter from the school district clerk, apply to the municipal treasurer for the school district's share of any property taxes collected and the municipal treasurer must make payment. The statutory references for this requirement are found under the duties and responsibilities of village treasurers (61.26), town treasurers (60.49(6)(a)) and city treasurers (62.09(9)(g)).

As the second installment of a two installment system of paying property taxes is paid to the county treasurer, he is

responsible for settling all claims for taxes by *August 20* of each year. Under 74.03(8) of the statutes, the county treasurer is responsible for apportioning the shares of property taxes to each municipal treasurer, who in turn, apportions and pays the school district its share.

B. *Public Utility Taxes* under 79.04(1) of the statutes are apportioned by municipal clerks and must be paid to school districts by *January 15* of each year.

C. *Forest Crop Tax Receipts* under 77.04(3) of the statutes are apportioned by the municipal treasurers and must be paid to school districts by *March 15* of each year.

D. *Mobile Home Fees* under 66.058(8) of the statutes are collected on a monthly basis and the municipal treasurer must pay school districts their share of these fees *20 days after the end of each month.*

E. *Payments in Lieu of Taxes* under 70.114 of the statutes, although a specific date is not given, would seem to indicate that payment must be settled in the same manner as local property taxes, that is, by *March 15.*

F. *Tuition Payments from Individuals* are arranged locally and depend on local school district policy and billing arrangements with individuals.

II. Revenue Received from State Sources

A. *General State Aid* normally is distributed in *May* of each year unless a school district requests an advance payment of general state aid under 121.19 of the statutes. School districts may request an advance draw on or after July 15 on the condition that the school district's annual report has been filed covering the previous school year. Normally, *September 1* is the earliest advance payment requests can be processed and paid. Advanced payments are made anytime between *September 1* and the following *May* of a given school year, upon the recommendation of the financial aids division of the Department of Public Instruction.

B. *Handicapped Aids* are paid by the State Department of Public Instruction to local school districts in *January* and *February* for homebound programs, in *August* for social workers, in *November* for psychological services, in *October* through *December* for speech programs and

between *January* and *June 30* for all other handicapped programs.

C. *General Transportation Aid* is paid by the State Department of Public Instruction to local school districts in *November* for regular classes, in *January* for some fiscally dependent districts and in *April* through *June* for district handicapped transportation programs.

D. *State Tuition Payments* are made by the State Department of Public Instruction to local school districts in *April* and *May* of each year.

E. *Library Aid from the Common School Fund* is paid to local districts in *March* of each year.

III. Revenue Received from Federal Sources

A. *Indian Education Aid* is received through the State Department of Public Instruction (DPI) in *March* and *May* of each year, one-half payment each month.

B. *Physical Disability Program Aid* depends on the availability of funds but normally is distributed from the State DPI by *December 31* each year.

C. *Date of Receipt of ESEA Title Program Aid* depends on when the claims are submitted to the State DPI.

D. *Impacted Aids (PL815 and 874)* are received directly from Washington and depend on when the appropriation is available for distribution to affected school districts.

E. *Federal Vocational Aids* are distributed through the State DPI to local school districts and date of receipt is conditioned upon claim applications, which tend to be random throughout the year.

F. *Lunch Program Aid* is distributed through the State DPI to local school districts on a monthly basis upon receipt of the school district's monthly claim.